

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF
CITY OF SALINA, KANSAS

300 West Ash Street
P.O. Box 736
Salina, Kansas 67402-0736

For the Fiscal Year Ended
December 31, 2005

Prepared by Department of Finance and Administration
of City of Salina, Kansas

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CITY OF SALINA, KANSAS
Comprehensive Annual Financial Report
For the year ended December 31, 2005

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INTRODUCTORY SECTION

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September 25, 2006

To the Citizens of the City of Salina, Kansas:

The Comprehensive Annual Financial Report of the City of Salina, Kansas (the "City") for the year ended December 31, 2005, is hereby submitted. The City's Finance Department prepared the report. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of all various funds and account groups of the City. We believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Report Format

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The introductory section includes a description of the City, including services provided, and explanation of the City's accounting system and budgetary controls, and a brief discussion of the City's economic condition and outlook. The City's organizational chart is also included to assist the reader in understanding the structure of the City. The financial section includes the Independent auditor's report, Management's discussion & analysis, Government wide financial statements, Fund financial statements, Notes to the financial statements, and Individual and combining statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The 2005 report implements the requirements of GASB 34 relating to the presentation of the Statistical Section one year ahead of the required implementation date.

The reader is specifically directed to Management's Discussion and Analysis (MD&A) which immediately follows the independent auditor's report. MD&A provides a narrative explanation and overview of significant features and trends reflected by data in the financial statements.

Accounting Systems and Internal Controls

A critical part of the control system is the City's comprehensive Budgetary and Financial Policies, which establish guidelines for budgetary and financial practices. The Budgetary and Financial Policies are reviewed by the City Commission and updated each year as a part of the budget process.

City staff is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are

met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits require estimates and judgment by management.

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. The legal level of budgetary control is maintained at the Fund level, in accordance with State Statutes. However, management control is maintained at the department level. The City uses an encumbrance accounting system, in which estimated purchase amounts are recorded prior to the release of purchase orders to vendors. Open encumbrances are reported as reservations of fund balance at December 31, 2005 in the general fund and the special revenue funds. Various internal compliance procedures are implemented to insure proper implementation of the budget as well as to maintain a degree of accountability for both revenues and expenditures.

Independent Audit

Kansas Statutes Annotated 75-1122 requires an annual audit of the books of account, financial records and transactions of all administrative departments of the City by independent certified public accountants selected by the City Commission. This requirement has been complied with and the auditor's opinion has been included in this report.

Profile of the Community

The Town of Salina was organized in 1858 under the Town and Village Act in the State of Kansas, and became a City of the First Class on July 9, 1920. The City has had a Commission-City Manager form of government since 1921. The Commission is comprised of five members elected at large. Each year the commission chooses one member to act as Mayor. The City Manager is appointed by the Commission, and acts as it's primary agent in accordance with state statute. Other city officers and employees are appointed by the City Manager. The current population of the City is 45,969.

The reporting entity includes the City of Salina as well as two discretely presented component units, both proprietary fund types. The Salina Airport Authority operates the Salina Municipal Airport and Airport Industrial Center, and the Salina Housing Authority administers public housing programs within the City of Salina. In addition, the City of Salina participates in two joint ventures with Saline County, the Salina - Saline County Board of Health and the City-County Building Authority. This report includes all funds and account groups of the City.

The City provides a full range of services including police and fire protection, development services, construction and maintenance of streets, drainage facilities and other infrastructure; recreational activities and cultural events; emergency medical services and convention facilities. In addition to general government activities, the City also provides water, wastewater, sanitation, and solid waste services; therefore, these activities are included in the reporting entity.

Economic Outlook and Strength

The City benefits from its location at the junction of Interstate Highways 70 and 135. This convenient location has drawn numerous national and regional companies to open manufacturing or distribution centers in or adjacent to the community. Such companies include Raytheon Aircraft, Pepsi-cola, Exide Battery, Philips Lighting, ElDorado Bus and lock/line. Currently manufacturing, retail trade, and service industries rank as the three primary employers in the City. No single industry is dominant.

The City of Salina retains its position near the top of a list of first class cities with respect to 'trade pull factor', ranking 4th (pull factor = 1.33). The pull factor measures the degree to which a city or county area captures retail trade from outside the jurisdiction. A pull factor of greater than 1 indicates that a city is attracting more retail trade from outside the city/county than it is losing to other counties. It is apparent from this that Salina continues to serve as a regional economic hub in 2005. In addition, Saline County ranks third in the State Economic Strength index, as outlined by Kansas State University research and extension (2003). The index measures economic prosperity, using wealth, personal income, and employment.

The economy began to show signs of recovery in 2005. Growth in the building industry continued. Value of

permits issued fell from \$46 million to \$41, million, while new commercial permit value increased from \$19 million to \$22 million. However, these are still both well within historical ranges. The unemployment rate for the City decreased to 4.4% at the close of 2005, considerably below statewide and national rates, and slightly lower than the 4.8% at the close of 2004. The size of the labor force also grew by about 1.7%.

The growth activity in the local housing industry continued in 2004. Sixty-seven (67) new single-family homes were started in 2005. This is lower than average, however, there were an additional 18 living units constructed in two-unit buildings. In addition, two multi-family developments with a combined valuation of \$8.9 million were completed, providing an additional 109 apartment units.

Major Initiatives

In March, 2004, voters elected to extend the ¼ cent tax until June 30, 2010. Eighty-five percent (85%) of the tax is to be used for capital improvements, tax stabilization, and human services. The remaining 15% is to be used for economic development programs.

In 2001, the City progressed towards another major transportation objective with the announcement of a grant to construct a railroad overpass on North Ohio Street, a major arterial and entryway to the city. The State of Kansas will contribute \$12,000,000 towards the \$20,000,000 project, with the City of Salina and the railroad paying the remaining portion. The project will eliminate four tracks and bridge six additional tracks, providing significant traffic safety enhancements as well as improving access to the City from Interstate 70. During 2005 the construction contract was let for the project, with actual construction scheduled to start in early 2006. The project is due to be completed in late 2007.

Solid Waste disposal is becoming a stable operation, with 80,000 to 90,000 tons being disposed of each year. The community remains committed to recycling and resource conservation, with several initiatives that began in 1997, including a yard waste recycling and composting program in addition to continuing a mulching mower rebate program. The community currently has about 4,700 yard carts placed to encourage recycling of yard waste as an alternative to disposal. A Pilot residential recycling program was continued in 2004. The curbside recycling program was converted to a permanent service in 2005, with 900 households participating.

2005 also saw the initiation of a significant public-private partnership, the construction of a \$1.5 million soccer complex consisting of five full size playing fields, paved parking lots, and restroom/concession facilities. Space is available for construction of 3 additional fields in the future. The City of Salina is contributing one-half of the cost, with the remainder being provided from private sources. Completion is anticipated in late 2006, and full play should be available for the 2007 soccer season.

Capital Improvement Planning

The City's Capital Improvement Plan (CIP) consists of two components. One component consists of "routine" capital—including vehicle and equipment replacement, technology replacement, building repair and improvement, routine pavement maintenance activity, utility system enhancements and similar items. The amount of funding for these projects may fluctuate based on needs and funding availability, however, planned amounts are allocated over a multi-year period. Source of funding for routine capital is current cash resources from the fund appropriate to the nature of the purchase.

The second component of the CIP includes major projects that typically require issuance of bonds or notes, although these projects may also be supplemented with available cash and grant financing. The plan is updated each year after an extensive evaluation of the demands on future financial resources. The Capital Improvement program is scheduled for a major revision as the result of the sales tax to be used for that purpose.

Construction Initiated*:	2007	2008	2009	2010	2011
Major Projects:					
General Fund	\$ 675,000	\$ 675,000	\$ 675,000	\$ 675,000	\$ 675,000
Sales Tax*	\$ 2,803,000	\$ 915,000	\$ 965,000	\$ 600,000	
Flood and Drainage Fund	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Special Park Fund	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000
Gas Tax Fund	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Solid Waste Fund		\$ 575,000	\$ 400,000	\$ 2,075,000	\$ 1,500,000
Sanitation Fund	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000
Water & Wastewater Fund	\$ 867,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
General Obligation Bonds	\$ 1,000,000	\$ 5,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Revenue Bonds		\$ 2,000,000			
Other Sources					
Total	\$ 7,295,000	\$ 12,115,000	\$ 5,990,000	\$ 7,300,000	\$ 6,125,000

*The year a project is scheduled reflects the year that construction is initiated. Preliminary work (design, acquisition) may precede this date by one or more years, and permanent financing may not occur until one (or more years depending on project magnitude) subsequent to this date.

Financial Policies

The City has adopted a formal set of Budgetary and Financial Policies, addressing such items as fund balances, capital improvements, operating budgets, long term debt management, accounting, auditing and financial reporting, revenues, cash management and investments. Financial policies contribute to financial stability by:

1. Providing consistent guidance in decision making
2. Establishing appropriate levels of fund balances
3. Governing the use of one time or unanticipated resources
4. Providing a multi-year capital improvements process
5. Establishing responsibilities and deadlines for budget preparation
6. Providing for a balanced annual operating budget
7. Providing guidelines on the use of debt, including appropriate purposes and terms
8. Provide a linkage between capital improvement scheduling and long term debt management planning
9. Require annual audits and financial reporting in conformance with Generally Accepted Accounting Procedures
10. Require timely and regular interim financial reporting to the Governing body
11. Insure the safety of cash and near cash resources (timely collection of Accounts Receivable, etc.).

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Salina for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated, professional advice and effort of the Lowenthal, Singleton, Webb, and Wilson auditing team. A special thank

you needs to be given to Valerie Gebhardt, City Accountant, who is responsible for much of the data assembly and reconciliation, and to Penny Day, Account Clerk III, who has been largely responsible for document assembly and production. Finally, preparation of this report would not have been possible without the support of the City Commission.

Sincerely,

Jason A. Gage



City Manager

Rodney Franz

Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Salina,
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of Salina

CITIZENS

CITY COMMISSION
Donnie D. Marrs, Mayor
Deborah P. Divine
Alan E. Jilka
R. Abner Perney
John K. Vanier II

City Manager
Jason Gage

MUNICIPAL COURT ADMIN.

Municipal Court Judge
Brenda Stoss
City Prosecutor
Jennifer Wyatt
Court Supervisor
Jane Garman

Legal Services
*Greg Bengtson**

Risk Management

DEVELOPMENT SERVICES

Building Services
Mike Roberts
Planning/Community Devel.
Dean Andrew

Deputy City Manager
Michael Schrage

Assistant City Manager
Vacant

Human Resources
Administration

Public Works
Shawn O'Leary

Finance/Administration
Rod Franz

Fire
Darrell Eastin

Police
Jim Hill

General Services

Streets
Flood Works
Traffic Control
Central Garage
Sanitation
Landfill

Engineering

Design/Inspection
Traffic

Utilities

Water Treatment & Dist.
Wastewater Collect./Treat.

City Clerk
Accounting
Utility Accounting
Treasurer

Fire Suppression
EMS
Codes/Inspection
Public Education

Patrol
Investigations
911/Communications
Internal Affairs

Bicentennial Center
Keith Rawlings

Computer Technology
Jack Rolfs

Human Relations
Kaye Crawford

Arts & Humanities
John Highkin

Parks & Recreation
Steve Snyder

Operations
Food & Beverage
Business/Ticket Office

Museum
Arts Education
Arts Services
River Festival
Horizons Grants Program
Community Art & Design

Swimming Pools
Golf Course
Neighborhood Centers
Parks
Recreation
Forestry
Cemetery
Building Maintenance

City of Salina, Kansas

List of Principal Officials

City Commission

Donnie Marrs, Mayor
Alan Jilka, Vice-Mayor
Deborah Divine, Commissioner
Abner Perney, Commissioner
John Vanier II, Commissioner

City Executive Staff

Jason Gage, City Manager
Michael Schrage, Deputy City Manager
Rodney Franz, Director of Finance and Administration
Jim Hill, Chief of Police
Darrell Eastin, Fire Chief
Shawn O'Leary, Director of Public Works
Jack Rolfs, Director of Computer Technology
Keith Rawlings, Bicentennial Center Manager
Steve Snyder, Parks and Recreation Director
John Highkin, Director of Arts and Humanities
Kaye Crawford, Human Relations Director
Greg Bengtson, City Attorney

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FINANCIAL SECTION

LOWENTHAL SINGLETON WEBB & WILSON
P R O F E S S I O N A L A S S O C I A T I O N

CERTIFIED PUBLIC ACCOUNTANTS

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Members of American Institute
and Kansas Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS

Mayor and City Commissioners
City of Salina, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salina, Kansas, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Salina Airport Authority which statements reflect total assets of \$36,027,226 as of December 31, 2005 and total revenues of \$6,220,781 for the year then ended, and the Housing Authority of the City of Salina which statements reflect total assets of \$7,474,577 as of June 30, 2005 and total revenues of \$2,123,681 for the year then ended, which are discretely presented component units in the accompanying financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Salina Airport Authority and the Housing Authority of the City of Salina is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the "Kansas Municipal Audit Guide." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salina, Kansas, at December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 13 and the major fund budgetary comparisons on pages 48 through 56 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audit of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and the combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. We did not audit the data included in the introductory and statistical sections of this report and therefore, we express no opinion thereon.

Howenthal, Singleton, Webb & Wilson

Professional Association

May 12, 2006

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Management Discussion and Analysis

This section of the report contains an overview and analysis of the City of Salina's financial statements for the fiscal year ended December 31, 2005. The information contained here, as well as the information contained in the letter of transmittal, are intended to provide the reader of the financial statements with a well rounded picture of the City's financial condition.

Financial Highlights

- ◆ Net Assets increased by \$18,316,443. Of this amount, \$16,876,657 was attributable to Governmental Activities and \$1,439,786 was attributable to Business-Type activities.
- ◆ The Bond Rating from Moodys Investor's Service was upgraded from an A1 to an Aa3 rating.
- ◆ A significant capital project, the \$20,000,000 North Ohio Grade Separation proceeded through the contract letting phase.
- ◆ Franchise agreements were re-negotiated with both gas and electric companies, with the rates changing from 3% to 5%, as well as provisions for transported utilities.
- ◆ On the whole, fund balances related to operations were maintained at a relatively stable level.

The Basic Financial Statements

The basic financial statements of the City include the government-wide financial statements and the fund financial statements. The notes to the financial statements follow the basic financial statements, and are essential for the reader's understanding of the financial statements. Other supplementary information, including the combining schedules for non-major funds and the budgetary comparison reports, are at the end of this report to provide additional information for the reader.

Government-wide Financial Statements

The government-wide financial statements present the results of the City's operations using the accrual basis of accounting, the same basis as is used by private sector businesses. These statements focus on the long-term financial picture of the City as a whole

The Statement of Net Assets reports all of the City's assets and liabilities. Net assets, the difference between assets and liabilities, are an important measure of the City's overall financial health. Net assets represent the total accumulated and unused resources available to the City for the purpose of providing services. Over time, the increases and decreases in net assets can be monitored to determine if the City's financial position is improving or deteriorating.

The Statement of Activities shows how the net assets have changed during the fiscal year. One unique feature of this statement is how it shows the revenues and expenses related to specific programs and how much of those programs were supported by the general taxes of the City. Since this statement is prepared on the accrual basis of accounting, all revenues and expenses are included, regardless of when cash is actually received. Both statements show the operations of the City broken down between governmental and business type activities. Governmental activities are the operations of the City generally supported by taxes, such as Public Safety (Police, Fire, and EMS), Public Works, Public Health, and Culture & Recreation. Business-type Activities are operations of the City that are intended to recover a significant portion of their costs through user fees and charges. These include Water and Sewer, Refuse collection, the Golf Course, and operation of the City Solid Waste Facility.

The government-wide financial statements include the Salina Airport Authority and Salina Housing Authority as discretely presented component units of the City. Note 1, item A in the Notes to the Financial Statements provide a more complete explanation of the relationship between these entities and the City of Salina.

Fund Financial Statements

The City uses three types of funds to manage its resources: governmental funds, proprietary funds, and fiduciary funds. A fund is a fiscal entity with a set of self-balancing accounts recording financial resources together with all related liabilities and residual equities and balances, and the changes therein. These accounting entities are separated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions, or limitations.

Governmental fund financial statements are prepared on a modified accrual basis. Under this basis, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred with the exception of long term debt and similar items which are recorded when due. The focus is on the short-term financial picture of the operations of the individual fund, rather than long-term citywide view provided by the government-wide statements. Major Governmental Funds are presented in individual columns, while Non-major Governmental Funds are aggregated into an "Other Governmental Funds" column. A combining statement for the Non-major funds is presented as supplementary information in the back of the report. The information presented in these statements can be compared to the governmental activities information in the government-wide statements. The reconciliation at the end of the fund financial statements details the relationship between the two types of financial statements.

Proprietary funds fall into two categories: enterprise funds and internal service funds. All proprietary funds are prepared on the accrual basis of accounting, and are used to account for business-type activities. Enterprise fund statements present the same information that is in the government-wide statements for business-type activities, but in greater detail. The City of Salina currently operates four enterprise funds: Sanitation Collection, Solid Waste Disposal, Golf Course, and Water and Sewer. Internal Service funds are used to account for the cost of operations shared by various departments of the City. The city operates five internal service funds. Three of these are for self-insurance activity: Risk Management, Workers Compensation Reserve, and Health Insurance. The remaining two account for our Information Services activity and for the Central Garage operation. A combining statement for these internal service funds can be found in the supplementary information following the notes to the financial statements.

Fiduciary funds are used by the City to account for resources held by the City for a third party. Agency funds are a special class of Fiduciary Fund in which liabilities always equal assets, and thus there are no net assets. The City of Salina operates nine Agency funds. Schedules for these funds may be viewed in the supplementary section of this report.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used. Permanent funds operated by the City include the Citizenship Trust, Cemetery and Mausoleum Endowments, and the Tri-centennial Commission fund.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the basic financial statements since they contain valuable additional information necessary for gaining a complete understanding of the City's financial statements.

Other Information

In addition to the basic financial statements and the notes described above, this report also presents the general fund and major special revenue fund's budgetary statements as required supplementary information directly following the notes to the basic financial statements. The combining statements for the non-major funds are shown after the required supplementary information. Finally, the statistical section includes selected statistical data about the City's operations and economy.

The City as a Whole

This section will identify, discuss, and analyze significant differences and trends that will enhance the reader's understanding of the City's financial position.

Tax Base and Economy

The City of Salina relies on three major groups of revenues to support its operations. Each of these revenue streams has a different revenue base. In declining order of magnitude, they are charges for service, sales taxes, and property taxes. Sales taxes and property taxes apply primarily to Governmental Activities, while charges for services apply to both Governmental (34%) and Business-type (66%) activities.

Charges for Services account for about 50% (\$27,587,000) of the City's revenue stream. Charges for Service depend on both the rate that is set for the activity, as well as the volume of services provided. The following table illustrates service volume and rate adjustments for some of the more significant services for the year ending December 31, 2005.

Description	2004 Volume	2005 Volume	Change	Rate Comments
Monthly Ave Water Accounts Billed	19,368	19,730	362	Water Rates Increased 2.5%
Water Metered (In Billion Gallons)	2.01	2.09	0.08	Wastewater Increased by 5.5%
Sanitation Customers	14,103	14,175	72	Sanitation Rates increased by 4.8%
Golf Rounds (18 Hole)	40,406	39,408	(998)	Patron Cards (memberships) increased by 5%
Golf Rounds (Par 3)	5,279	5,367	88	
Golf Annual Memberships	314	305	-9	
Solid Waste Tonnage	90,069	88,096	(1,973)	No Change in Solid Waste rates
Building Permits Issued	656	653	(3)	No Change in fees.
Building Permit Value (\$ Millions)	\$ 42	\$ 49	\$ 7	

The number of Water accounts billed grew by about 2%, while the volume of water sold increased by 3.9%. The number of sanitation customers increased by about 1/2%. Golf activity shows a decrease (2.5%) in 18 hole rounds, as well as a decrease (2.9%) in annual memberships. Solid Waste tonnage showed a slight decrease. Building permit volume was essentially unchanged, although the value of permits issued increased by about 16%.

Sales taxes are the next largest component of the revenue mix, providing 23% (\$12,836,000) of the total revenues. The City receives a .75% City-wide sales tax, and also a portion of the County-wide 1% sales tax. One-third (.25%) of the City-wide sales tax is required to be used for special purposes. The remaining .5% along with the City portion of the Countywide tax is available for general purposes. Total revenue from the sales tax in 2005 was \$12,836,311, up from \$12,768,000 in 2004. This represents an increase of .5% in tax proceeds distributed to the City.

A number of factors affect the sales tax. First are the regional and local economic conditions and relationships. These are reflected in the proceeds of the City-wide tax, which grew by about 2%.

However, the City was adversely affected by the formula used to distribute the County-wide sales tax among participating jurisdictions (only Cities and the County participate, School and other special districts do not). The formula is based, in part, on the property tax efforts of each jurisdiction. Because the portion of the overlapping levy attributable to the City of Salina was reduced for 2005, the City's allocated portion of the County-wide sales tax was reduced from 62.2% in 2004 to 61.6% in 2005. This is equivalent to a reduction of approximately \$58,000 from 2004 to 2005.

The .25% sales tax dedicated to education technology expired (sunset) June 30, 2004. On March 16, 2004, Salina voters approved the extension of the .25% tax purposed for Capital Investment, Economic Development, Human Services, and Tax Stabilization. The extended tax is to sunset June 30, 2010. The tax produced \$2,280,000 in 2005.

Property Taxes are the third major component of the revenue mix, accounting for 17% (\$9,196,000) of total revenues. Property taxes consist of two components: Real estate and personal property taxes which are determined by the mill levy set by the city and the assessed value of the property; and motor vehicle taxes, which are established by a countywide average tax rate, and the assessed value of the vehicle.

Real estate and personal property assessed value grew by 2%. The total City mill levy was increased by .2%, while the overlapping levy was increased by 4.2%. Tax delinquency decreased slightly.

Motor Vehicle value increased by \$2,008,000 (4.3%), while the rate applied for motor vehicles decreased by 6.36 mills (7%). Motor vehicle taxes are distributed based on a formula using prior years tax effort (similar to the Countywide Sales Tax Distribution).

The following table summarizes the comparative property assessed values and tax levy rates:

Fiscal (Budget) Year	2004	2005	Change
Real Estate and Personal Property Assessed Valuation	328,593,726	335,262,182	6,668,456
City Mill Levy (\$ per \$1,000)			
Operating (General Fund, Employee Benefits, Flood and Drainage Fund)	20.017	20.055	0.038
Debt Service Millage	3.996	4.008	0.012
Total City Levy Rate	24.013	24.063	0.050
Total Overlapping Levy	118.574	123.587	5.013
Percent of Current Taxes Collected	97.3%	98.0%	0.007
Ratio of Total Taxes (including delinquent tax collections) to Taxes Levied	100.2%	102.7%	0.025
Motor Vehicle Valuation	48,679,292	48,687,121	7,829
County Wide Average Vehicle Tax Rate (\$ per \$1,000)	90.949	84.589	(6.360)

The unemployment rate in Saline County decreased slightly from 4.8% in 2004 to 4.4% in 2005, reflecting general economic conditions. This is below the statewide and national unemployment rate. The total labor force increased to 31,293, a change of 1.6%.

In 2005, the top ten property taxpayers accounted for 13.71% of total assessed value. This is less concentrated than ten years ago (at 16.18%)

Statement of Net Assets

Net assets may, over time, provide an indicator of a government's financial position. In the case of the City of Salina, assets exceeded liabilities by \$171,145,000 at December 31, 2005. This represents an increase in net assets of \$19,578,000 over 2004. A condensed version of the Statement of Net Assets at December 31, 2004 follows:

Comparative Condensed Statement of Net Assets, 2004 and 2005
(In \$000)

	Governmental Activities		Activities		Total Primary Government				2004 - 2005 Change
	2004	2005	2004	2005	2004	% of Total	2005	% of Total	
Cash and Investments	\$ 14,342	\$ 11,224	\$ 11,537	\$ 11,487	\$ 25,879	13%	\$ 22,710	10%	\$ (3,169)
Other Current Assets	\$ 2,543	\$ 3,170	\$ 2,795	\$ 2,465	\$ 5,338	3%	\$ 5,635	3%	\$ 297
Noncurrent (Capital) Assets	\$ 114,716	\$ 133,608	\$ 59,796	\$ 59,676	\$ 174,512	85%	\$ 193,284	87%	\$ 18,772
Total Assets	\$ 131,601	\$ 148,002	\$ 74,129	\$ 73,628	\$ 205,729	100%	\$ 221,630	100%	\$ 15,901
Current Liabilities	\$ 9,726	\$ 6,756	\$ 3,057	\$ 2,981	\$ 12,783	24%	\$ 9,737	19%	\$ (3,046)
Noncurrent Liabilities	\$ 20,554	\$ 21,998	\$ 20,825	\$ 18,750	\$ 41,379	76%	\$ 40,748	81%	\$ (631)
Total Liabilities	\$ 30,280	\$ 28,754	\$ 23,882	\$ 21,731	\$ 54,162	100%	\$ 50,485	100%	\$ (3,677)
Net Assets:									
Invested in capital assets, net of related debt	\$ 92,947	\$ 110,184	\$ 39,003	\$ 40,968	\$ 131,950	87%	\$ 151,152	88%	\$ 19,202
Restricted for Permanent Funds		\$ 343				0%	\$ 343	0%	\$ 343
Restricted for Debt Service	\$ 1,317	\$ 1,299	\$ 1,406	\$ 1,108	\$ 2,723	2%	\$ 2,407	1%	\$ (316)
Unrestricted	\$ 7,057	\$ 7,422	\$ 9,837	\$ 9,821	\$ 16,894	11%	\$ 17,243	10%	\$ 349
Total Net Assets	\$ 101,321	\$ 119,248	\$ 50,246	\$ 51,897	\$ 151,567	100%	\$ 171,145	100%	\$ 19,578
Percent of Total Assets	67%	70%	33%	30%	100%		100%		
Cash and Investments as a percentage of current liabilities	147%	166%	377%	385%	202%		233%		

The largest segment of the City's net assets (88%) reflects its investment in capital assets (land, buildings, streets and drainage facilities, utility plant, vehicles, equipment, etc.), less any debt used to acquire those assets that is still outstanding. These assets are used to provide services to citizens. As a result, resources required to retire related debt can not come from liquidation of the asset. Such resources generally must be provided from other sources, such as future taxes or user charges.

A small portion of net assets (2%) is restricted for debt service. The remainder of net assets (10%) may be used to meet the City's obligations to citizens and creditors.

In 2005, the amount invested in capital assets net of related debt increased substantially (\$19,644,295), while unrestricted net assets increased only slightly. This represents investment of current resources (primarily capital grants) in capital assets.

Liabilities declined, with the bulk of the decline evident in current liabilities, reflecting a reduction in short term notes outstanding. Total assets increased (by about \$15,901,000 or 7.7%). This increase is all attributable to the increase in capital assets, with cash and current assets remaining stable.

The quick ratio indicates that the City has enough liquidity to retire current liabilities approximately 3 times.

During the year ended December 31, 2005, there were several significant events that changed the balance of net assets.

Governmental Activities. 2005 saw a modest decrease in cash and investments and a significant increase in capital assets. This reflects the initiation of contractual obligations with the Kansas Department of Transportation for the construction of the North Ohio Street grade separation, and recording of the related capital grant and assets.

Business-type Activities: Business Type activities were engaged largely in maintenance type activities. Scheduled debt paydowns resulted in a slight increase in net capital assets.

Statement of Activities

A condensed statement of activities is shown below.

Condensed Comparative Statement of Activities, 2004 and 2005
(In \$000's)

	Governmental Activities		Business-Type Activities		Total Primary Government				
	2004	2005	2004	2005	2004	%	2005	%	2004 - 2005
Program Revenues:									Change
Charges for Services	\$ 8,943	\$ 9,859	\$ 17,456	\$ 17,728	\$ 26,399	44%	\$ 27,587	38%	\$ 1,188
Operating Grants and Contributions	\$ 3,197	\$ 2,798	\$ 368	\$ -	\$ 3,565	6%	\$ 2,798	4%	\$ (767)
Capital Grants and Contributions	\$ 2,480	\$ 13,875	\$ -	\$ -	\$ 2,480	4%	\$ 13,875	19%	\$ 11,395
General Revenues:									
Property Taxes	\$ 8,962	\$ 9,196	\$ -	\$ -	\$ 8,962	15%	\$ 9,196	13%	\$ 234
Sales Taxes	\$ 12,765	\$ 12,836	\$ -	\$ -	\$ 12,765	21%	\$ 12,836	18%	\$ 71
Other Taxes	\$ 3,426	\$ 3,557	\$ -	\$ -	\$ 3,426	6%	\$ 3,557	5%	\$ 131
Investment Revenue	\$ 390	\$ 544	\$ 222	\$ 328	\$ 612	1%	\$ 872	1%	\$ 260
Other Miscellaneous	\$ 1,084	\$ 1,209	\$ 93	\$ 150	\$ 1,177	2%	\$ 1,359	2%	\$ 182
Total Revenues:	\$ 41,247	\$ 53,874	\$ 18,139	\$ 18,206	\$ 59,386	100%	\$ 72,080	100%	\$ 12,694
Expenses:									
General Government	\$ 4,931	\$ 4,904			\$ 4,931	9%	\$ 4,904	9%	\$ (27)
Public Safety	\$ 13,548	\$ 14,159			\$ 13,548	25%	\$ 14,159	26%	\$ 611
Public Works	\$ 7,958	\$ 8,420			\$ 7,958	15%	\$ 8,420	16%	\$ 462
Public Health and Sanitation	\$ 1,016	\$ 1,102			\$ 1,016	2%	\$ 1,102	2%	\$ 86
Culture and Recreation	\$ 4,784	\$ 5,071			\$ 4,784	9%	\$ 5,071	9%	\$ 287
Planning and Development	\$ 4,130	\$ 2,714			\$ 4,130	8%	\$ 2,714	5%	\$ (1,416)
Solid Waste Disposal			\$ 2,374	\$ 2,608	\$ 2,374	4%	\$ 2,608	5%	\$ 234
Water and Sewer			\$ 11,552	\$ 11,262	\$ 11,552	21%	\$ 11,262	21%	\$ (290)
Sanitation			\$ 1,920	\$ 1,889	\$ 1,920	4%	\$ 1,889	4%	\$ (31)
Golf Course			\$ 817	\$ 893	\$ 817	2%	\$ 893	2%	\$ 76
Interest on Long Term Debt	\$ 786	\$ 742	\$ -	\$ -	\$ 786	1%	\$ 742	1%	\$ (44)
Total Expenses	\$ 37,153	\$ 37,112	\$ 16,663	\$ 16,652	\$ 53,816	100%	\$ 53,764	100%	\$ (52)
Increase in net assets before transfers	\$ 4,094	\$ 16,762	\$ 1,476	\$ 1,554	\$ 5,570		\$ 18,316		\$ 12,746
Transfers and other extraordinary items	\$ 24	\$ 114	\$ (24)	\$ (114)	\$ -		\$ -		\$ -
Increase in Net Assets	\$ 4,118	\$ 16,876	\$ 1,436	\$ 1,440	\$ 5,554		\$ 18,316		\$ 12,762
Net Assets, January 1	\$ 95,638	\$ 101,321	\$ 48,308	\$ 50,246	\$ 143,946		\$ 151,567		\$ 7,621
Prior Period Adjustment	\$ 1,564	\$ 1,050	\$ 486	\$ 211	\$ 2,050		\$ 1,261		\$ (789)
Net Assets, January 1, restated	\$ 97,202	\$ 102,371	\$ 48,774	\$ 50,014	\$ 145,976		\$ 152,385		\$ 6,409
Net Assets December 31	\$ 101,321	\$ 119,248	\$ 50,246	\$ 51,897	\$ 151,567		\$ 171,145		\$ 19,578

Governmental Activities. Total expenses for Governmental Activities for the year ending December 31, 2005 were \$37,112,000 compared to \$37,153,000 in 2004. The apparent decrease is solely the result of the change in purpose for the ¼ cent sales tax, which has resulted in a shift from operating expenses to capital investment. This factor is also clearly apparent in the change in expense reported planning and development expenses from 2004 to 2005. Governmental activities represent 68% of the City's total expenses. The largest element of Governmental Activity expense was Public Safety, at 26% of the City total, followed by Public Works at 14% of the total.

Charges for service attributable to Governmental Activities totaled \$9,859,000 and operating grants for those purposes were \$2,798,000. Capital grants and contributions totaled \$13,875,000, and were primarily related to the construction of the North Ohio Street grade separation. The balance of \$27,456,000 was funded by general revenues. Sales taxes accounted for \$12,836,000 of the general revenues, with property taxes providing \$9,196,000. Net assets increased by \$16,877,000 as a result of Governmental Activities. The bulk of this increase is due to capital investment.

Business Type Activities. Total expenses for Business-type Activities for the year were \$16,652,000, or 31% of the City's total expense. The majority of this expense (\$11,262,000) is attributable to Water and Sewer operations, with the other activities (Solid Waste Disposal, Sanitation, and Golf Course) costing a combined total of \$5,390,067. These activities are primarily supported by user charges, with only \$364,030 coming from general revenues, representing largely the interest earned on fund balances held by the City. Net assets increased by \$1,439,786 as a result of Business-type Activity operations.

Fund Financial Analysis

Governmental Funds

Fund Balances:

The table below shows the Governmental Fund balances for major funds for the years ended December 31, 2004 and December 31, 2005.

Fund	2004	2005	Change
General	\$ 7,311,303	\$ 7,066,959	\$ (244,344)
Employee Benefits	\$ 612,266	\$ 521,459	\$ (90,807)
Flood and Drainage	\$ 521,148	\$ 328,720	\$ (192,428)
Tourism and Convention	\$ 267,200	\$ 209,495	\$ (57,705)
Special Gas	\$ 1,382,177	\$ 1,069,426	\$ (312,751)
Bicentennial Center	\$ 256,903	\$ 278,300	\$ 21,397
Debt Service	\$ 1,317,062	\$ 1,298,695	\$ (18,367)
Capital Projects	\$ (4,277,626)	\$ (4,106,972)	\$ 170,654
Other Governmental Funds	\$ 1,772,458	\$ 2,925,219	\$ 1,152,761
Total	\$ 9,162,891	\$ 9,591,301	\$ 428,410

Total Governmental Fund balances increased by \$428,410. This increase is due entirely to Capital projects funds, and to changes in other governmental funds, primarily the Special Sales tax funds. Governmental fund balances, net of Capital Projects decreased by \$895,005.

The General Fund balance decreased by \$244,344. This is a result of a combination of factors, including some growth in revenue (Sales Tax, Intergovernmental revenues), a transfer of the selective sales tax to special revenue funds (along with a decrease in the associated expenditures reflected in planning and development) and a modest increase in capital outlay expenditures.

Revenues and Expenditures:

The following table shows a comparison of revenues and expenditures (including other sources and uses) for major funds for the years ending December 31, 2004 and 2005.

Fund	2004	2005	Change
Revenues (Including Other Financing Sources)			
General	\$ 23,782,586	\$ 22,913,723	\$ (868,863)
Employee Benefits	\$ 4,557,020	\$ 4,797,757	\$ 240,737
Flood and Drainage Improvement	\$ 371,570	\$ 147,506	\$ (224,064)
Tourism and Convention	\$ 825,853	\$ 840,081	\$ 14,228
Special Gas	\$ 1,776,477	\$ 1,515,246	\$ (261,231)
Bicentennial Center	\$ 1,326,152	\$ 1,323,209	\$ (2,943)
Debt Service	\$ 8,429,798	\$ 3,007,947	\$ (5,421,851)
Capital Projects	\$ 4,413,426	\$ 5,590,419	\$ 1,176,993
Other Governmental Funds*	\$ 2,160,815	\$ 3,865,301	\$ 1,704,486
Total Revenues	\$ 47,643,697	\$ 44,001,189	\$ (3,642,508)
Less Other Sources	\$ 7,773,367	\$ 5,609,193	\$ (2,164,174)
Revenues, net of other sources	\$ 39,870,330	\$ 38,391,996	\$ (1,478,334)
Expenditures (Including Other Financing Uses)			
General	\$ 23,246,826	\$ 23,158,067	\$ (88,759)
Employee Benefits	\$ 4,309,642	\$ 4,888,564	\$ 578,922
Flood and Drainage Improvement	\$ 222,755	\$ 339,934	\$ 117,179
Tourism and Convention	\$ 807,809	\$ 897,786	\$ 89,977
Special Gas	\$ 1,936,522	\$ 1,827,997	\$ (108,525)
Bicentennial Center	\$ 1,310,731	\$ 1,301,812	\$ (8,919)
Debt Service	\$ 8,697,066	\$ 3,026,314	\$ (5,670,752)
Capital Projects	\$ 8,707,863	\$ 5,419,765	\$ (3,288,098)
Other Governmental Funds*	\$ 1,581,838	\$ 2,712,540	\$ 1,130,702
Total Expenditures	\$ 50,821,052	\$ 43,572,779	\$ (7,248,273)
Less Other Uses	\$ 6,476,060	\$ 1,365,174	\$ (5,110,886)
Expenditures, net of other uses	\$ 44,344,992	\$ 42,207,605	\$ (2,137,387)

Total revenues and other sources decreased (by \$3,642,508) from 2004 to 2005. The largest component of this change was in the Debt Service fund (reduction of \$5,421,851), and is the result of refinancing activity in 2004 totaling \$5,388,947 that was not repeated in 2005. Absent this one-time transaction, revenues to the debt service fund would have declined by \$32,904. Other funds showing revenue declines include the Special Gas Tax fund, created by a one-time reimbursement in 2004, and the General Fund, which experienced a reduction in revenues due to the re-purposing of the special sales tax. This loss to the General fund was nearly offset by other revenue increases to the fund. Reduction in taxes for the Flood and drainage fund was due to a reduction in the property tax levy rate allocated to that fund.

Several funds showed revenue increases compared to 2004. Chief among these were the "Other" Governmental funds. This reflects the re-purposing of the special sales tax from the General Fund to the Capital Improvement and Economic Development funds created for the Special Sales Tax proceeds. The other fund with a significant increase in the revenues stream include the Capital Projects fund, created by a reduction in current year grant financing on the North Ohio project, coupled with temporary note proceeds and transfers to the fund from the Special Sales Tax fund.

Total expenditures and other uses also show substantial changes resulting from financing activity. The significant decrease in the Debt Service fund is due to the refinancing activity (\$5,388,947). The decrease in expenditures, net of the refinancing activity totaled \$281,805. The Capital Projects fund also shows a significant decrease in expenditures relating to projects that are currently in progress. The General fund appears to show a minor reduction in expenditures, however, this is affected to a significant degree by the repurposing of special sales tax proceeds. As a result, Planning and Community Development expenditures in the fund decreased from \$3,052,745 to \$1,328,376,

while all other expenditures (excluding other sources and uses) increased from \$20,023,225 to \$21,439,138, an increase of about 7.1%. These increases were focused in the areas of Public Works (12.4%) and Culture and Recreation (9.3%).

Proprietary Funds

The City of Salina operates four Enterprise Funds as well as five Internal Service Funds.

A summarized comparative Statement of Net Assets follows for each Enterprise Fund:

Summary Statement of Net Assets (in \$000's)						
	Solid Waste Disposal			Water and Sewer		
	2004	2005	Change	2004	2005	Change
Current Assets	\$ 3,180	\$ 3,306	\$ 126	\$ 10,405	\$ 9,916	\$ (489)
Capital Assets	\$ 4,550	\$ 4,062	\$ (488)	\$ 54,275	\$ 54,647	\$ 372
Total Assets	\$ 7,730	\$ 7,368	\$ (362)	\$ 64,680	\$ 64,563	\$ (117)
Current Liabilities	\$ 513	\$ 403	\$ (110)	\$ 2,444	\$ 2,456	\$ 12
Noncurrent Liabilities	\$ 4,270	\$ 4,047	\$ (223)	\$ 16,417	\$ 14,582	\$ (1,835)
Total Liabilities	\$ 4,784	\$ 4,450	\$ (334)	\$ 18,861	\$ 17,038	\$ (1,823)
Assets Invested in Capital, net of related debt	\$ 1,716	\$ 1,585	\$ (131)	\$ 36,173	\$ 38,446	\$ 2,273
Restricted Net Assets			\$ -	\$ 1,406	\$ 1,109	\$ (297)
Unrestricted Net Assets	\$ 1,230	\$ 1,333	\$ 103	\$ 8,241	\$ 7,970	\$ (271)
Total Net Assets	\$ 2,946	\$ 2,918	\$ (28)	\$ 45,820	\$ 47,525	\$ 1,705
Current Assets as a percentage of current liabilities	620%	820%		426%	404%	

	Sanitation			Golf Course		
	2004	2005	Change	2004	2005	Change
Current Assets	\$ 577	\$ 588	\$ 11	\$ 170	\$ 141	\$ (29)
Capital Assets	\$ 456	\$ 475	\$ 19	\$ 515	\$ 493	\$ (22)
Total Assets	\$ 1,033	\$ 1,063	\$ 30	\$ 685	\$ 634	\$ (51)
Current Liabilities	\$ 53	\$ 69	\$ 16	\$ 47	\$ 53	\$ 6
Noncurrent Liabilities	\$ 69	\$ 65	\$ (4)	\$ 69	\$ 56	\$ (13)
Total Liabilities	\$ 122	\$ 134	\$ 12	\$ 116	\$ 109	\$ (7)
Assets Invested in Capital, net of related debt	\$ 405	\$ 405	\$ -	\$ 441	\$ 461	\$ 20
Restricted Net Assets						
Unrestricted Net Assets	\$ 507	\$ 454	\$ (53)	\$ 128	\$ 64	\$ (64)
Total Net Assets	\$ 911	\$ 929	\$ 18	\$ 569	\$ 525	\$ (44)
Current Assets as a percentage of current liabilities	1089%	852%		362%	266%	

The Solid Waste and Golf Course Funds show modest declines in total net assets. In the case of the Solid Waste fund, this is due to a reduction in capital assets (net of related debt), whereas, the Golf Course shows a reduction primarily in current assets. Water and Sanitation funds both reflect modest increases in total net assets.

Revenues, Expenses, and Changes in Net Assets

Net assets in the Solid Waste Fund declined by \$234,000 due to operations. The cause for this was a reduction in operating revenues, and an increase in operating expenditures and transfers out.

Operating income in the Golf Course fund increased by \$15,000, however, operating expenses increased by \$76,000, resulting in a reduction in assets due to operations of \$61,000

In the Sanitation Fund and Water and Sewer Funds, total net assets grew slightly, due largely to an increase in operating revenues, and to a lesser extent, to a reduction in expenses..

Summary of Revenues, Expenses and Changes in Net Assets
(In \$000's)

	Solid Waste Disposal			Water and Sewer		
	2004	2005	Change	2004	2005	Change
Operating Revenues	\$ 2,489	\$ 2,366	\$ (123)	\$ 12,432	\$ 12,802	\$ 370
Operating Expenses	\$ 2,284	\$ 2,337	\$ 53	\$ 10,654	\$ 10,468	\$ (186)
Operating Income	\$ 205	\$ 29	\$ (176)	\$ 1,778	\$ 2,334	\$ 556
Non-operating revenues (expenses)	\$ (19)	\$ (189)	\$ (170)	\$ (760)	\$ (564)	\$ 196
Income (Loss) before Transfers	\$ 186	\$ (160)	\$ (346)	\$ 1,019	\$ 1,769	\$ 750
Transfers in (out)		\$ (74)	\$ (74)	\$ (24)	\$ (40)	\$ (16)
Capital Contributions				\$ 368		
Change in Net Assets	\$ 170	\$ (234)	\$ (404)	\$ 1,363	\$ 1,729	\$ 366
Net Assets, January 1	\$ 2,701	\$ 2,946	\$ 245	\$ 44,029	\$ 45,820	\$ 1,791
Restatement	\$ 60	\$ 206	\$ 146	\$ 427	\$ (24)	\$ (451)
Net Assets, January 1, restated	\$ 2,761	\$ 3,153	\$ 392	\$ 44,456	\$ 45,795	\$ 1,339
Net Assets, December 31	\$ 2,946	\$ 2,918	\$ (28)	\$ 45,820	\$ 47,525	\$ 1,705

	Sanitation			Golf Course		
	2004	2005	Change	2004	2005	Change
Operating Revenues	\$ 1,814	\$ 1,880	\$ 66	\$ 814	\$ 829	\$ 15
Operating Expenses	\$ 1,908	\$ 1,889	\$ (19)	\$ 815	\$ 891	\$ 76
Operating Income	\$ (94)	\$ (9)	\$ 85	\$ (2)	\$ (62)	\$ (60)
Non-operating revenues (expenses)	\$ (4)	\$ 14	\$ 18	\$ 1	\$ 1	\$ -
Income (Loss) before Transfers	\$ (97)	\$ 6	\$ 103	\$ (1)	\$ (61)	\$ (60)
Transfers in (out)			\$ -			\$ -
Change in Net Assets	\$ (97)	\$ 6	\$ 103	\$ (1)	\$ (61)	\$ (60)
Net Assets, January 1	\$ 1,009	\$ 911	\$ (98)	\$ 569	\$ 568	\$ (1)
Restatement	\$ (1)	\$ 12	\$ 13		\$ 17	\$ 17
Net Assets, January 1, restated	\$ 1,008	\$ 924	\$ (84)	\$ 569	\$ 586	\$ 17
Net Assets, December 31	\$ 911	\$ 929	\$ 18	\$ 568	\$ 525	\$ (43)

The Internal Service funds experienced an increase in net assets of \$445,417. This is a reversal of the prior year experience, and reflects adjustments to internal charges.

Budgetary Highlights

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. The legal level of budgetary control is maintained at the Fund level, in accordance with State Statutes. Management control is maintained at the departmental level. Within the departments, considerable discretion is permitted. The City uses an encumbrance accounting system, in which estimated purchase orders are recorded prior to the release of purchase orders to vendors. Open purchase orders are reported as reservations of budgetary basis fund balances at December 31, 2005. Formal budgetary amendments are limited to those circumstances in which the need is perceived to alter the total fund budget. Re-allocation among departments or line items are not typically recorded as budgetary amendments.

However, in addition to formal amendments, departments within the City are allowed to transfer budget between line items within a department. Budgets may also be transferred from department to department within each fund. As a result of these transfers, the original budget and the final budgets may not be the same for departments within a fund.

The General Fund budget was not formally amended during the year.

The City experienced a number of significant variances from budgeted items in the General Fund, however, the total fund was well with budget. Most notably, Public Safety Fees exceeded budget by \$473,261. This was due to a concerted effort to reduce outstanding warrants, and to the implementation of a dispatch contract with Saline County. General sales taxes fell short of budget by about \$184,000 (1.7% of the budgeted amount for this item). Revenues for recreation programs were also somewhat higher than budget; these were offset by corresponding expenditures.

Several expenditure items were also significantly over or under budget. The City Manager, Police and Development Services departments were all significantly under budget due to staff position vacancies. The "Other General Government" group of accounts was over budget due largely to earned leave payouts, Municipal Court experienced higher than anticipated prisoner housing costs, and, as noted above, recreation programs were above budget (offset by increased program revenues). Finally, capital investments exceed budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The total amount invested in Capital Assets for the City at December 31, 2005 was \$192,841,024, net of accumulated depreciation.

The following table illustrates the Capital Asset balance by various classes of assets at December 31, 2005:

	Governmental Activity		Business-type Activity		Total	
	2004	2005	2004	2005	2004	2005
Equipment, Furniture and Fixtures	\$ 1,340	\$ 1,421	\$ 1,751	\$ 1,555	\$ 3,091	\$ 2,976
Vehicles	\$ 1,829	\$ 1,779	\$ 662	\$ 819	\$ 2,491	\$ 2,598
Buildings and Improvements	\$ 11,351	\$ 11,595	\$ 14,965	\$ 14,522	\$ 26,316	\$ 26,117
Land	\$ 14,894	\$ 22,325	\$ 1,544	\$ 1,544	\$ 16,438	\$ 23,869
Infrastructure	\$ 76,382	\$ 76,534	\$ 41,085	\$ 41,236	\$ 117,467	\$ 117,770
Construction in Progress	\$ 9,967	\$ 19,952	\$ -	\$ -	\$ 9,967	\$ 19,952
Total	\$ 115,765	\$ 133,606	\$ 60,007	\$ 59,676	\$ 175,772	\$ 193,282

* Net of Accumulated Depreciation

Changes to capital assets may be summarized as follows:

Changes to Capital Assets, 2005			
	(in 000's)		
	Governmental Activity	Business-Type Activity	Total
Additions	\$ 33,367	\$ 2,249	\$ 35,616
Retirements	\$ (11,833)	\$ (138)	\$ (11,971)
Adjustments	\$ 587	\$ 132	\$ 719
Net Additions	<u>\$ 22,121</u>	<u>\$ 2,243</u>	<u>\$ 24,364</u>
Depreciation Expense Applied	\$ 3,829	\$ 2,580	\$ 6,409

Additional information on the City's capital assets can be found in Note 4, D. of the notes to the basic financial statements.

Debt Management

The City's general policy for General Obligation Bonds is to issue them for no more than 10 years for the City at Large portion, with some exceptions permitted for extraordinary projects. On special assessment bonds, the maturity may extend to 15 years.

The outstanding General Obligation Bonds at 12/31/2005 totaled \$27,461,377. Temporary notes outstanding total \$2,700,000. Total General Debt is thus \$30,161,377. Net general bonded debt per capita is thus \$626.14.

In addition, Business-type activities had \$4,990,000 in Revenue Bonds outstanding, as well as \$7,460,602 in loans provided through the Kansas Development Finance Authority. Revenues generated by user fees are pledged to retire all of the Bonds issued by Business-type activities.

The City engaged in several debt transactions during 2005. One General Obligation Bond issue, Series 2005A was sold in the principal amount of \$4,210,000. Moody's rating service extended a rating of Aa-3 to both of this issue. This represents an upgrade from the A1 rating previously assigned to the City of Salina. In addition, one temporary note series were issued during the year, totaling \$500,000.

Additional information on the City's debt can be found in Note 4, E. of the notes to the basic financial statements.

Requests for Information

This financial report is intended to give the reader a general overview of the City's finances. Questions about information in this report or requests for additional information should be directed to the Director of Finance, Room 206, 300 West Ash Street, Salina, Kansas, 67401.

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BASIC FINANCIAL STATEMENTS

CITY OF SALINA, KANSAS
STATEMENT OF NET ASSETS
December 31, 2005

	Primary Government			Component Units	
	Total Governmental Activities	Total Business-type Activities	Total Primary Government	Salina Housing Authority	Salina Airport Authority
ASSETS					
Current assets:					
Cash and investments	\$ 11,224,335	\$ 11,486,833	\$ 22,711,168	\$ 912,357	\$ 786,238
Receivables (net of allowance for uncollectibles)					
Accounts	1,619,809	962,588	2,582,397	18,281	265,850
Taxes	779,471	-	779,471	-	1,158,150
Interest	221,075	184,895	405,970	1,684	-
Notes	5,527	-	5,527	-	-
Mortgages	-	-	-	26,044	-
Due from other governments	-	-	-	39,677	-
Inventory	213,327	520,453	733,780	-	-
Restricted cash	-	408,033	408,033	73,510	-
Prepaid expenses	-	-	-	-	3,109
Net investment in financing leases	-	-	-	-	783,710
Deferred charges	330,832	389,051	719,683	38,867	88,665
Total current assets	14,394,176	13,951,853	28,346,029	1,110,420	3,085,722
Noncurrent assets:					
Capital assets, nondepreciable					
Construction in progress	19,952,317	-	19,952,317	1,481,890	752,860
Land	22,325,293	1,544,110	23,869,403	533,637	8,847,886
Capital assets, depreciable	154,738,661	90,539,005	245,277,666	6,202,516	38,794,315
Less: Accumulated depreciation	63,408,421	32,406,495	95,814,916	1,853,886	15,453,557
Total noncurrent assets	133,607,850	59,678,620	193,284,470	6,364,157	32,941,504
Total assets	\$ 148,002,026	\$ 73,628,473	\$ 221,630,499	\$ 7,474,577	\$ 36,027,226
Liabilities:					
Current liabilities:					
Accounts payable	\$ 1,499,086	\$ 294,696	\$ 1,793,782	\$ 19,560	\$ 993,147
Retainage payable	9,926	18,464	28,390	-	-
Accrued liabilities	578,229	-	578,229	16,259	98,228
Matured bond principal and interest	33,645	-	33,645	-	-
Accrued interest payable	241,054	241,043	482,097	-	136,839
Deposits payable	-	94,374	94,374	-	-
Unearned revenue	-	-	-	160,806	1,254,410
Due to other governments	-	-	-	58,031	-
Current portion of compensated absences	1,103,411	259,227	1,362,638	500	-
Current portion of capital lease payable	20,944	-	20,944	-	-
Current portion of temporary notes payable	500,000	-	500,000	-	-
Current portion of loans payable	-	330,105	330,105	-	1,019,667
Current portion of revenue bonds payable	-	640,000	640,000	-	-
Current portion of general obligation bonds payable	2,769,633	1,103,556	3,873,189	-	-
Total current liabilities	6,755,928	2,981,465	9,737,393	255,156	3,502,291
Noncurrent liabilities:					
Accrued liabilities	-	-	-	72,391	-
Compensated absences	1,365,237	320,737	1,685,974	41,502	-
Temporary notes payable	2,200,000	-	2,200,000	-	-
Loans payable	-	7,130,497	7,130,497	-	7,728,442
Revenue bonds payable	-	4,350,000	4,350,000	-	-
General obligation bonds payable	18,433,288	5,154,900	23,588,188	-	-
Landfill post-closure care liabilities	-	1,793,966	1,793,966	-	-
Total noncurrent liabilities	21,998,525	18,750,100	40,748,625	113,893	7,728,442
Total liabilities	\$ 28,754,453	\$ 21,731,565	\$ 50,486,018	\$ 369,049	\$ 11,230,733
Net Assets					
Invested in capital assets, net of related debt	\$ 110,183,985	\$ 40,967,562	\$ 151,151,547	\$ 6,364,157	\$ 24,193,395
Restricted for:					
Permanent funds:					
Expendable	342,876	-	342,876	-	-
Debt service	1,298,695	1,108,545	2,407,240	-	85,000
Unrestricted	7,422,017	9,820,801	17,242,818	741,371	518,098
Total net assets	\$ 119,247,573	\$ 51,896,908	\$ 171,144,481	\$ 7,105,528	\$ 24,796,493

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

	Net [Expenses] Revenue and Changes in Net Assets								
	Program Revenues				Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business-type Activities	Total Primary Government	Salina Housing Authority	Salina Airport Authority
Governmental activities:									
General government	\$ 4,904,066	\$ 3,925,594	\$ 141,234	\$ -	\$ [837,238]	\$ -	\$ [837,238]	\$ -	\$ -
Public safety	14,158,775	3,368,313	718,167	-	[10,072,295]	-	[10,072,295]	-	-
Public works	8,420,158	183,108	1,656,183	13,875,068	7,274,181	-	7,274,181	-	-
Public health and sanitation	1,101,947	30,979	141,234	-	[929,734]	-	[929,734]	-	-
Culture and recreation	5,070,889	2,275,594	141,234	-	[2,654,061]	-	[2,654,081]	-	-
Planning and development	2,714,496	95,465	-	-	[2,619,031]	-	[2,619,031]	-	-
Interest on long-term debt	741,815	-	-	-	[741,815]	-	[741,815]	-	-
Total governmental activities	37,111,948	9,859,052	2,798,032	13,875,068	[10,579,794]	-	[10,579,794]	-	-
Business-type activities:									
Solid Waste Disposal	2,608,162	2,343,881	-	-	-	[264,301]	[264,301]	-	-
Water and Sewer	11,261,714	12,703,953	-	-	-	1,442,239	1,442,239	-	-
Sanitation	1,889,190	1,880,757	-	-	-	[8,433]	[8,433]	-	-
Golf Course	892,715	798,966	-	-	-	[93,749]	[93,749]	-	-
Total business-type activities	18,651,781	17,727,537	-	-	-	1,075,756	1,075,756	-	-
Total primary government	\$ 53,763,727	\$ 27,586,589	\$ 2,798,032	\$ 13,875,068	[10,579,794]	1,075,756	[9,504,038]	-	-
Component units:									
Salina Housing Authority	\$ 2,121,282	\$ 389,921	\$ 1,495,988	\$ 227,181	-	-	-	[8,214]	-
Salina Airport Authority	3,424,783	1,803,833	-	3,188,638	-	-	-	-	1,365,486
Total component units	\$ 5,546,065	\$ 1,993,554	\$ 1,495,986	\$ 3,413,797	-	-	-	[8,214]	1,365,486
General Revenues:									
Property taxes levied for									
General purposes					6,765,502	-	6,765,502	-	1,058,688
Debt service					1,351,421	-	1,351,421	-	-
Motor vehicle tax									
General purposes					1,079,262	-	1,079,282	-	-
Sales tax									
General purposes					10,555,924	-	10,555,924	-	-
Selective purposes					2,280,387	-	2,280,387	-	-
Other taxes									
General purposes					3,557,109	-	3,557,109	-	118,087
Investment revenues					544,247	327,728	871,975	10,813	204,083
Miscellaneous					1,208,580	150,321	1,358,901	-	49,654
Transfers, net					114,019	[114,019]	-	-	-
Subtotal general revenues					27,458,451	364,030	27,820,481	10,813	1,430,512
Change in net assets					16,876,657	1,439,786	18,316,443	2,399	2,795,098
Net assets - beginning					101,321,325	49,802,572	151,123,897	7,152,802	22,000,495
Prior period adjustment					1,049,591	654,550	1,704,141	[49,473]	-
Net assets - beginning, restated					102,370,916	50,457,122	152,828,038	7,103,129	22,000,495
Net assets - ending					\$ 119,247,573	\$ 51,896,908	\$ 171,144,481	\$ 7,105,528	\$ 24,796,493

The notes to the basic financial statements are an integral part of this statement.

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CITY OF SALINA, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005

	<u>General</u>	<u>Employee Benefits</u>	<u>Flood & Drainage Improvement</u>	<u>Tourism and Convention</u>
ASSETS				
Cash and investments	\$ 2,734,298	\$ 347,669	\$ 423,035	\$ 61
Receivables (net)				
Accounts	1,369,203	-	-	209,433
Taxes	2,200,914	4,941,303	186,288	-
Interest	89,106	5,406	6,578	1
Notes	-	-	-	-
Inventory	103,892	-	-	-
Due from other funds	2,996,152	-	-	-
Cash with fiscal agent	-	-	-	-
Total assets	<u>\$ 9,493,565</u>	<u>\$ 5,294,378</u>	<u>\$ 615,901</u>	<u>\$ 209,495</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 314,410	\$ 340	\$ 111,240	\$ -
Retainage payable	902	-	-	-
Deferred revenue	2,111,294	4,772,579	175,941	-
Due to other funds	-	-	-	-
Matured principal and interest	-	-	-	-
Temporary notes payable	-	-	-	-
Total liabilities	<u>2,426,606</u>	<u>4,772,919</u>	<u>287,181</u>	<u>-</u>
Fund balance:				
Reserved for encumbrances	421,156	-	92,421	-
Reserved for notes receivable	-	-	-	-
Reserved for debt service	-	-	-	-
Unreserved, undesignated				
General fund	6,645,803	-	-	-
Special revenue funds	-	521,459	236,299	209,495
Permanent funds	-	-	-	-
Capital project funds	-	-	-	-
Total fund balances	<u>7,066,959</u>	<u>521,459</u>	<u>328,720</u>	<u>209,495</u>
Total liabilities and fund balance	<u>\$ 9,493,565</u>	<u>\$ 5,294,378</u>	<u>\$ 615,901</u>	<u>\$ 209,495</u>

<u>Special Gas</u>	<u>Bicentennial Center</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 637,373	\$ 282,282	\$ 1,225,975	\$ -	\$ 3,177,118	\$ 8,827,811
-	13,357	-	-	27,816	1,619,809
457,123	-	1,461,186	-	-	9,246,814
9,911	4,382	19,063	1,466	48,420	184,333
-	-	-	-	5,527	5,527
-	-	-	-	-	103,892
-	-	-	-	-	2,996,152
-	-	33,645	-	-	33,645
<u>\$ 1,104,407</u>	<u>\$ 300,021</u>	<u>\$ 2,739,869</u>	<u>\$ 1,466</u>	<u>\$ 3,258,881</u>	<u>\$ 23,017,983</u>
\$ 31,150	\$ 21,721	\$ -	\$ 880,249	\$ 60,506	\$ 1,419,616
3,831	-	-	5,193	-	9,926
-	-	1,407,529	-	-	8,467,343
-	-	-	2,722,996	273,156	2,996,152
-	-	33,645	-	-	33,645
-	-	-	500,000	-	500,000
<u>34,981</u>	<u>21,721</u>	<u>1,441,174</u>	<u>4,108,438</u>	<u>333,662</u>	<u>13,426,682</u>
446,476	-	-	220,182	305,301	1,485,536
-	-	-	-	5,527	5,527
-	-	1,298,695	-	-	1,298,695
-	-	-	-	-	6,645,803
622,950	278,300	-	-	2,271,515	4,140,018
-	-	-	-	342,876	342,876
-	-	-	[4,327,154]	-	[4,327,154]
<u>1,069,426</u>	<u>278,300</u>	<u>1,298,695</u>	<u>[4,106,972]</u>	<u>2,925,219</u>	<u>9,591,301</u>
<u>\$ 1,104,407</u>	<u>\$ 300,021</u>	<u>\$ 2,739,869</u>	<u>\$ 1,466</u>	<u>\$ 3,258,881</u>	<u>\$ 23,017,983</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCE TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2005

Total Governmental Fund Balances		\$ 9,591,301
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Amounts reported for governmental activities in the
statement of net assets are different because

Bond issuance costs are shown as current year expenditures in the funds.

Bond issuance costs		330,632
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Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

The cost of capital assets is	196,238,879	
Accumulated depreciation is	<u>62,859,826</u>	133,379,053

An internal service fund is used by the City's management to charge the costs of the worker's compensation program. The assets and liabilities of the internal service fund are included with governmental activities.		2,020,130
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The following liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported as liabilities in the funds.
These liabilities at year end consist of:

Compensated absences	2,408,624	
Temporary notes payable	2,200,000	
Bonds payable	21,202,921	
Capital lease payable	20,944	
Accrued interest on the bonds	<u>241,054</u>	<u>[26,073,543]</u>

Net Assets of Governmental Activities		<u>\$ 119,247,573</u>
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The notes to the basic financial statements are an integral part of this statement.

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CITY OF SALINA, KANSAS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

	<u>General</u>	<u>Employee Benefits</u>	<u>Flood & Drainage Improvement</u>	<u>Tourism and Convention</u>
REVENUES:				
Taxes				
Real estate taxes	\$ 2,382,329	\$ 4,126,519	\$ 82,236	\$ -
Delinquent taxes	59,455	107,257	7,706	-
Motor vehicle taxes	289,354	558,575	50,986	-
General sales taxes	10,555,924	-	-	-
Selective sales taxes	-	-	-	-
Other taxes	2,717,427	-	-	839,682
Intergovernmental	859,399	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	5,387,774	-	-	-
Investment revenue	176,808	5,406	6,578	399
Reimbursements	-	-	-	-
Miscellaneous	<u>385,253</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>22,813,723</u>	<u>4,797,757</u>	<u>147,506</u>	<u>840,081</u>
EXPENDITURES:				
Current				
General government	2,485,060	221,332	-	-
Public safety	10,621,702	3,051,745	-	-
Public works	4,536,631	837,099	18,639	-
Public health and sanitation	892,110	26,746	-	-
Culture and recreation	2,074,639	494,027	-	-
Planning and development	1,328,376	257,615	-	559,740
Miscellaneous	-	-	-	-
Capital outlay	828,996	-	221,295	-
Debt service				
Principal retirement	-	-	100,000	-
Interest and other charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>22,767,514</u>	<u>4,888,564</u>	<u>339,934</u>	<u>559,740</u>
Excess [deficiency] of revenue and other sources over [under] expenditures and other [uses]	<u>46,209</u>	<u>[90,807]</u>	<u>[192,428]</u>	<u>280,341</u>
OTHER FINANCING SOURCES [USES]				
Issuance of bonds	-	-	-	-
Transfers in	100,000	-	-	-
Transfers [out]	<u>[390,553]</u>	<u>-</u>	<u>-</u>	<u>[338,046]</u>
Total other financing sources [uses]	<u>[290,553]</u>	<u>-</u>	<u>-</u>	<u>[338,046]</u>
Net change in fund balance	<u>[244,344]</u>	<u>[90,807]</u>	<u>[192,428]</u>	<u>[57,705]</u>
Fund balance - Beginning of year	7,311,303	612,266	521,148	267,200
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - Beginning of year	<u>7,311,303</u>	<u>612,266</u>	<u>521,148</u>	<u>267,200</u>
Fund balance - End of year	<u>\$ 7,066,959</u>	<u>\$ 521,459</u>	<u>\$ 328,720</u>	<u>\$ 209,495</u>

<u>Special Gas</u>	<u>Bicentennial Center</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,313,147	\$ -	\$ -	\$ 7,904,231
-	-	38,274	-	-	212,692
-	-	180,347	-	-	1,079,262
-	-	-	-	-	10,555,924
-	-	-	-	2,280,387	2,280,387
-	-	-	-	-	3,557,109
1,492,640	-	-	150,000	282,468	2,784,507
-	-	1,142,502	-	-	1,142,502
-	-	-	-	13,525	13,525
-	830,408	-	-	1,006,966	7,225,148
22,606	4,582	47,803	5,663	216,419	486,264
-	-	-	649,756	-	649,756
-	173	72,875	-	42,388	500,689
<u>1,515,246</u>	<u>835,163</u>	<u>2,794,948</u>	<u>805,419</u>	<u>3,842,153</u>	<u>38,391,996</u>
-	-	-	-	-	2,706,392
-	-	-	-	-	13,673,447
116,003	-	-	-	-	5,508,372
-	-	-	-	148,107	1,066,963
-	1,293,833	-	-	913,515	4,776,014
-	-	-	-	461,226	2,606,957
-	-	-	-	35	35
1,711,994	7,979	-	5,125,234	684,657	8,580,155
-	-	2,434,349	-	-	2,534,349
-	-	591,965	162,956	-	754,921
<u>1,827,997</u>	<u>1,301,812</u>	<u>3,026,314</u>	<u>5,288,190</u>	<u>2,207,540</u>	<u>42,207,605</u>
<u>[312,751]</u>	<u>[466,649]</u>	<u>[231,366]</u>	<u>[4,482,771]</u>	<u>1,634,613</u>	<u>[3,815,609]</u>
-	-	-	4,210,000	-	4,210,000
-	488,046	212,999	575,000	23,148	1,399,193
-	-	-	[131,575]	[505,000]	[1,365,174]
-	488,046	212,999	4,653,425	[481,852]	4,244,019
<u>[312,751]</u>	<u>21,397</u>	<u>[18,367]</u>	<u>170,654</u>	<u>1,152,761</u>	<u>428,410</u>
1,382,177	256,903	1,317,062	[6,477,626]	1,772,458	6,962,891
-	-	-	2,200,000	-	2,200,000
<u>1,382,177</u>	<u>256,903</u>	<u>1,317,062</u>	<u>[4,277,626]</u>	<u>1,772,458</u>	<u>9,162,891</u>
<u>\$ 1,069,426</u>	<u>\$ 278,300</u>	<u>\$ 1,298,695</u>	<u>\$ [4,106,972]</u>	<u>\$ 2,925,219</u>	<u>\$ 9,591,301</u>

The notes to the basic financial statements are an integral part of this statement.

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CITY OF SALINA, KANSAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

Total Net Change In Fund Balances - Governmental Funds \$ 428,410

Amounts reported for governmental activities in the statement of activities are different because

Capital outlays to purchase or build assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.

Loss on sale of assets	[48,203]	
Capital outlays	21,530,526	
Depreciation expense	<u>[3,759,050]</u>	17,723,273

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which interest increased.

[21,463]

An internal service fund is used by the city's management to charge the costs of certain activities to the individual funds. The revenues and expenses of certain internal service fund is reported with governmental activities.

445,417

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

[41,507]

Bond proceeds are an other financing source in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

[4,210,000]

Repayment of capital lease payable is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

20,206

Repayment of bond principal and bond issuance costs is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

2,532,321

Changes In Net Assets of Governmental Activities

\$ 16,876,657

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005

	Business-Type Activities: Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Solid Waste Disposal	Water and Sewer	Sanitation	Golf Course		
ASSETS						
Current assets:						
Cash and investments	\$ 3,024,250	\$ 7,876,700	\$ 481,487	\$ 104,396	\$ 11,486,833	\$ 2,362,879
Receivables (net of allowance for uncollectibles)						
Accounts	205,788	657,309	99,491	-	962,588	-
Interest	47,019	128,778	7,486	1,612	184,895	36,742
Inventory and prepaid supplies	-	486,531	-	33,922	520,453	109,435
Restricted cash and investments	-	408,033	-	-	408,033	-
Deferred charges	29,287	358,823	-	941	389,051	-
Total current assets	<u>3,306,344</u>	<u>9,916,174</u>	<u>588,464</u>	<u>140,871</u>	<u>13,951,853</u>	<u>2,509,056</u>
Capital assets:						
Nondepreciable capital assets:						
Land	683,446	845,664	-	15,000	1,544,110	-
Depreciable capital assets:						
Capital assets	6,101,741	82,401,156	1,095,304	940,804	90,539,005	777,392
Less: accumulated depreciation	<u>2,722,904</u>	<u>28,600,074</u>	<u>620,405</u>	<u>463,112</u>	<u>32,406,495</u>	<u>548,595</u>
Total capital assets	<u>4,062,283</u>	<u>54,646,746</u>	<u>474,899</u>	<u>492,692</u>	<u>59,676,620</u>	<u>228,797</u>
Total assets	<u>\$ 7,368,627</u>	<u>\$ 64,562,920</u>	<u>\$ 1,063,363</u>	<u>\$ 633,563</u>	<u>\$ 73,628,473</u>	<u>\$ 2,737,853</u>
Liabilities:						
Current liabilities						
Accounts payable	\$ 100,092	\$ 173,946	\$ 16,390	\$ 4,268	\$ 294,696	\$ 79,470
Retainage payable	-	18,464	-	-	18,464	-
Interest payable	20,647	220,218	-	178	241,043	-
Meter deposits payable	-	94,374	-	-	94,374	-
Current portion of compensated absences payable	26,372	147,924	52,641	32,290	259,227	60,024
Current portion of accrued claims payable	-	-	-	-	-	335,672
Current portion of loans payable	-	330,105	-	-	330,105	-
Current portion of general obligation bonds payable	256,428	830,748	-	16,380	1,103,556	-
Current portion of revenue bonds payable	-	640,000	-	-	640,000	-
Total current liabilities	<u>403,539</u>	<u>2,455,779</u>	<u>69,031</u>	<u>53,116</u>	<u>2,981,465</u>	<u>475,166</u>
Noncurrent liabilities:						
Compensated absences payable	32,629	183,025	65,131	39,952	320,737	-
Accrued claims payable	-	-	-	-	-	242,557
Payable from restricted assets						
Loans payable	-	7,130,497	-	-	7,130,497	-
General obligation bonds payable	2,220,120	2,918,855	-	15,925	5,154,900	-
Revenue bonds payable	-	4,350,000	-	-	4,350,000	-
Landfill post-closure care liabilities	<u>1,793,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,793,966</u>	<u>-</u>
Total noncurrent liabilities	<u>4,046,715</u>	<u>14,582,377</u>	<u>65,131</u>	<u>55,877</u>	<u>18,750,100</u>	<u>242,557</u>
Total liabilities	<u>\$ 4,450,254</u>	<u>\$ 17,038,156</u>	<u>\$ 134,162</u>	<u>\$ 108,993</u>	<u>\$ 21,731,565</u>	<u>\$ 717,723</u>
Net Assets						
Invested in capital assets, net of related debt	\$ 1,585,735	\$ 38,446,541	\$ 474,899	\$ 460,387	\$ 40,967,562	\$ 228,797
Restricted						
Restricted for bond retirement	-	1,108,545	-	-	1,108,545	-
Unrestricted	<u>1,332,638</u>	<u>7,969,678</u>	<u>454,302</u>	<u>64,183</u>	<u>9,820,801</u>	<u>1,791,333</u>
Total net assets	<u>\$ 2,918,373</u>	<u>\$ 47,524,764</u>	<u>\$ 929,201</u>	<u>\$ 524,570</u>	<u>\$ 51,896,908</u>	<u>\$ 2,020,130</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005

	Business-Type Activities: Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Solid Waste Disposal	Water and Sewer	Sanitation	Golf Course		
Operating revenues						
Charges for services	\$ 2,343,861	\$ 12,703,953	\$ 1,880,757	\$ 798,966	\$ 17,727,537	\$ 7,820,230
Miscellaneous	22,337	98,345	15	29,624	150,321	58,135
Total operating revenues	<u>2,366,198</u>	<u>12,802,298</u>	<u>1,880,772</u>	<u>828,590</u>	<u>17,877,858</u>	<u>7,878,365</u>
Operating expenses						
General government	-	-	-	-	-	7,500,868
Public works	1,622,663	8,740,077	1,790,974	-	12,153,714	-
Recreation	-	-	-	852,053	852,053	-
Depreciation	713,970	1,728,694	98,216	39,148	2,580,028	70,063
Total operating expenses	<u>2,336,633</u>	<u>10,468,771</u>	<u>1,889,190</u>	<u>891,201</u>	<u>15,585,795</u>	<u>7,570,931</u>
Operating income [loss]	<u>29,565</u>	<u>2,333,527</u>	<u>[8,418]</u>	<u>[62,611]</u>	<u>2,292,063</u>	<u>307,434</u>
Nonoperating revenues [expenses]						
Investment revenue	81,869	228,874	14,012	2,973	327,728	57,983
Debt service	[261,646]	[665,914]	-	[1,044]	[928,604]	-
Amortization of bond issuance costs	[9,883]	[127,029]	-	[470]	[137,382]	-
Total nonoperating revenues [expenses]	<u>[189,660]</u>	<u>[564,069]</u>	<u>14,012</u>	<u>1,459</u>	<u>[738,258]</u>	<u>57,983</u>
Income [loss] before transfers	<u>[160,095]</u>	<u>1,769,458</u>	<u>5,594</u>	<u>[61,152]</u>	<u>1,553,805</u>	<u>365,417</u>
Transfers from [to] other funds						
Transfers in	44,049	-	-	-	44,049	80,000
Transfers [out]	[118,068]	[40,000]	-	-	[158,068]	-
Total transfers	<u>[74,019]</u>	<u>[40,000]</u>	<u>-</u>	<u>-</u>	<u>[114,019]</u>	<u>80,000</u>
Change in net assets	<u>[234,114]</u>	<u>1,729,458</u>	<u>5,594</u>	<u>[61,152]</u>	<u>1,439,786</u>	<u>445,417</u>
Net assets, January 1	2,503,203	45,819,636	911,187	568,546	49,802,572	1,560,025
Restatement	649,284	[24,330]	12,420	17,176	654,550	14,688
Net assets, January 1, restated	<u>3,152,487</u>	<u>45,795,306</u>	<u>923,607</u>	<u>585,722</u>	<u>50,457,122</u>	<u>1,574,713</u>
Net assets, December 31	<u>\$ 2,918,373</u>	<u>\$ 47,524,764</u>	<u>\$ 929,201</u>	<u>\$ 524,570</u>	<u>\$ 51,896,908</u>	<u>\$ 2,020,130</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005

	Business-Type Activities: Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Solid Waste Disposal	Water and Sewer	Sanitation	Golf Course		
Cash flows from operating activities						
Cash received from customers and users	\$2,338,841	\$12,765,143	\$1,890,166	\$ 798,966	\$17,793,116	\$7,759,318
Cash paid to suppliers of goods or services	[1,193,485]	[6,012,562]	[1,084,880]	[473,511]	[8,764,438]	[7,000,493]
Cash paid to employees	[417,812]	[2,807,097]	[694,196]	[381,517]	[4,300,622]	[510,301]
Other operating receipts	22,337	98,345	15	29,624	150,321	58,135
Net cash provided by [used in] operating activities	<u>749,881</u>	<u>4,043,829</u>	<u>111,105</u>	<u>[26,438]</u>	<u>4,878,377</u>	<u>306,659</u>
Cash flows from capital and related financing activities						
Purchase and construction of capital assets	[20,500]	[2,125,022]	[104,269]	-	[2,249,791]	[189,124]
Debt issuance costs incurred	-	[51,812]	-	-	[51,812]	-
Principal payments - general obligation bonds	[332,442]	[795,747]	-	[13,650]	[1,141,839]	-
Principal payments - revenue bonds	-	[625,000]	-	-	[625,000]	-
Interest paid	[273,819]	[682,981]	-	[1,086]	[957,886]	-
Principal payments - loans payable	-	[316,662]	-	-	[316,662]	-
Net cash provided by [used in] capital and related financing activities	<u>[626,761]</u>	<u>[4,597,224]</u>	<u>[104,269]</u>	<u>[14,736]</u>	<u>[5,342,990]</u>	<u>[189,124]</u>
Cash flows from investing activities						
Interest received	<u>51,889</u>	<u>146,671</u>	<u>9,238</u>	<u>2,196</u>	<u>209,994</u>	<u>33,665</u>
Cash flows from noncapital financing activities						
Transfers in	44,049	-	-	-	44,049	80,000
Transfers [out]	[118,068]	[40,000]	-	-	[158,068]	-
Net cash provided by [used in] noncapital financing activities	<u>[74,019]</u>	<u>[40,000]</u>	<u>-</u>	<u>-</u>	<u>[114,019]</u>	<u>80,000</u>
Net increase [decrease] in cash and cash equivalents	100,990	[446,724]	16,074	[38,978]	[368,638]	231,200
Cash and cash equivalents, January 1	<u>2,923,260</u>	<u>8,731,457</u>	<u>465,413</u>	<u>143,374</u>	<u>12,263,504</u>	<u>2,131,679</u>
Cash and cash equivalents, December 31	<u>\$3,024,250</u>	<u>\$ 8,284,733</u>	<u>\$ 481,487</u>	<u>\$ 104,396</u>	<u>\$11,894,866</u>	<u>\$2,362,879</u>
Cash and investments	\$3,024,250	\$ 7,876,700	\$ 481,487	\$ 104,396	\$11,486,833	\$2,362,879
Restricted cash and investments	-	408,033	-	-	408,033	-
Total cash and cash equivalents	<u>\$3,024,250</u>	<u>\$ 8,284,733</u>	<u>\$ 481,487</u>	<u>\$ 104,396</u>	<u>\$11,894,866</u>	<u>\$2,362,879</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005

	Business-Type Activities: Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Solid Waste Disposal	Water and Sewer	Sanitation	Golf Course		
Reconciliation of operating [loss] income to net cash provided by [used in] operating activities						
Operating income [loss]	\$ 29,565	\$2,333,527	\$ [8,418]	\$ [62,611]	\$2,292,063	\$307,434
Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities						
Depreciation expense	713,970	1,728,694	98,216	39,148	2,580,028	70,063
[Increase] decrease in accounts receivable	[5,020]	68,096	9,409	-	72,485	-
[Increase] decrease in inventory	-	[18,724]	-	[9,757]	[28,481]	[40,765]
Increase [decrease] in accounts payable	[23,332]	[24,160]	15,445	[373]	[32,420]	23,208
Increase [decrease] in retainage payable	-	13,563	-	-	13,563	-
Increase [decrease] in accrued compensated absences	1,992	[50,261]	[3,547]	7,155	[44,661]	7,631
Increase [decrease] in claims payable	-	-	-	-	-	[60,912]
Increase [decrease] in meter deposits payable	-	[6,906]	-	-	[6,906]	-
Increase [decrease] in accrued landfill closure and postclosure care costs	32,706	-	-	-	32,706	-
Net cash provided by [used in] operating activities	<u>\$ 749,881</u>	<u>\$4,043,829</u>	<u>\$111,105</u>	<u>\$ [26,438]</u>	<u>\$4,878,377</u>	<u>\$306,659</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
December 31, 2005

ASSETS

Cash and investments	\$ 409,048
Interest receivable	<u>4,151</u>
Total assets	<u>\$ 413,199</u>

LIABILITIES AND FUND BALANCES

Liabilities	
Accounts payable	<u>\$ 413,199</u>
Total liabilities	<u>\$ 413,199</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Salina, Kansas (the City) is a municipal corporation governed by a mayor and a five-member commission. These financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government wide statements to emphasize that it is legally separated from the government.

Discretely Presented Component Units

City of Salina Airport Authority - The Salina Airport Authority was created for the purpose of accepting as surplus property portions of the former Schilling A.F.B that was closed by the United States Department of Defense in June, 1965. One of the primary functions of the Airport Authority is to facilitate the continued growth of jobs and payroll at the Airport Industrial Center. The Airport Authority is managed and controlled by a five-member Board of Directors appointed by the Salina City Commission. Any director may be removed by a majority vote of the Salina City Commission. The Airport Authority's basic mill levy (up to 3 mills) requires the approval of the City Commission. The Commission must also approve the issuance of general obligation debt by the Airport Authority. The Airport Authority has a December 31 fiscal year end.

Housing Authority of the City of Salina - The purpose of the Housing Authority of the City of Salina (Housing Authority) is to administer Public Housing Programs authorized by the United States Housing Act of 1937. The Mayor of the City of Salina appoints the governing board. The City Commission may remove commissioners of the Housing Authority. The City must issue revenue bonds for the Housing Authority. The financial liability of the Housing Authority is essentially supported by the operating and debt service subsidies received under contract from the Federal government. The Housing Authority has a June 30 fiscal year end. Information in the accompanying financial statements covers the fiscal year ended June 30, 2005.

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

Salina Airport Authority
3237 Arnold Ave.
Salina, KS

Housing Authority of
the City of Salina
469 S. 5th
Salina, KS

Joint Ventures

The City of Salina also participates with Saline County in two joint ventures. The Salina-Saline County Board of Health was organized by the City and County to promote public health. The City and County organized the Salina County-City Building Authority to acquire, operate and maintain facilities for the administrative offices of both governments. The primary governments each have an ongoing financial responsibility for the joint ventures. Separate financial statements are available from the governing boards of each joint venture.

	Board of Health (Unaudited)	Building Authority (Audited)
Total net assets, December 31, 2005	\$ 324,496	\$ 2,912,015
Total change in net assets, December 31, 2005	102,478	149,281
Total revenues, year ended December 31, 2005	3,257,540	852,049
Total revenues from City of Salina	796,362	312,565

CITY OF SALINA, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Joint Ventures (Continued)

Complete financial statements for each of the joint ventures may be obtained at the entity's administrative offices.

Salina-Saline County Board of Health
125 West Elm Street
Salina, KS

Salina County-City
Building Authority
300 West Ash Street
Salina, KS

B. Government-wide and fund financial statements

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Taxes and other items, which are not classified as program revenues, are presented as general revenues of the city.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

CITY OF SALINA, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinions, and ARBs.

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The internal service funds account for risk management, worker's compensation, health insurance, central garage and information services that are provided to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do however use the accrual basis of accounting. Agency funds are used to account for assets held as an agent for individuals, other governmental units, private organizations and/or other funds.

The City reports the following major governmental funds:

The general fund is used to account for resources traditionally associated with government, which are not required legally, or by sound financial management to be accounted for in another fund.

Employee benefits fund - To account for the costs of various benefits provided to governmental employees.

Flood and drainage improvement fund - To account for property tax revenues to be used for capital improvements to the flood control and stormwater drainage systems.

Tourism and convention fund - To account for transient guest tax revenues, which are specifically restricted to promotion and tourism activities.

Special gas fund - To account for the City's share of motor fuel tax revenues, which are legally restricted to the maintenance, or improvement of streets within the City.

Bicentennial Center fund - To account for the activities of the City's convention center.

The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

CITY OF SALINA, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The capital projects fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The City reports the following major proprietary funds:

Sanitation fund - To account for the operations of the City's refuse collection service.

Solid waste disposal fund - To account for the activities of the City's landfill.

Golf course fund - To account for the operations of the municipal golf course.

Water and sewer fund - To account for the activities of the City's water and sewer operations.

D. Assets, Liabilities and Equity

1. Pooled cash and investments

The City maintains a cash and investment pool that is available for use by all funds managed by the city. Each fund type's portion of this pool is displayed in the financial statements as "Cash and Investments." The city's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments in the Kansas Municipal Pool are carried at fair value.

Cash balances from all funds are invested to the extent available in certificates of deposit and other authorized investments. Investments with maturity dates greater than three months are stated separately. Earnings from these investments, unless specifically designated, are allocated monthly to the investing fund based on the percentage of funds invested to total investments. All investments are carried at fair value.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Accounts Receivable. The City records revenues when services are provided. All receivables are shown net of an allowance for doubtful accounts.

Property taxes receivable. Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and, therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2006. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the accounting period, and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

CITY OF SALINA, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

2. Receivables and Payables (Continued)

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the County. In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Property taxes are levied and liens against property are placed on November 1 of the year prior to the fiscal year for which they are budgeted. Payments are due November 1, becoming delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year. This procedure eliminates the need to issue tax anticipation notes since funds will be on hand prior to the beginning of each fiscal year. The City Treasurer draws down all available funds from the County Treasurer's office in two-month intervals. Taxes remaining due and unpaid at February 15 and July 1 are subject to collection procedures prescribed in state statutes.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Restricted Assets

Certain proceeds of the City's business-type fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "Water and Sewer Principal and Interest" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "Debt Service Reserve" account is used to report resources set aside to make up potential future deficiencies in the "Water and Sewer Principal and Interest Account".

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets used in governmental fund types of the City are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

Historically, governmental infrastructure assets have not been capitalized and reported in the financial statements. In conformity with GASB 34, infrastructure completed in the current year has been capitalized. Retroactive reporting of the City's major infrastructure assets extends to all assets.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

5. Capital Assets (Continued)

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type is included in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Other equipment	5 -15
Vehicles	6 -10
Infrastructure	30 -50

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All employees of the City, except temporary and part time employees, may accumulate sick leave at a rate of 8 or 11 hours per month depending on their work duty schedule. There is no limit on the amount of sick leave that can be accumulated. Employees with more than five years of service with the City are paid for one-third of their accumulated sick leave at their current wage scale upon termination of employment in good standing. In 2001, a limited buy back policy was instituted.

All regular employees are entitled to paid vacation time. Such leave is granted each year of employment and unused leave may accumulate without limit. Employees are paid for all accumulated vacation leave at their current wage scale upon termination of employment.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability in the government fund financial statements that will pay it. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave of the business-type funds and government wide financial statements are recorded as an expense and liability of those funds as the benefits accrue to employees. A liability is recorded for accumulated rights to receive sick pay benefits that are payable upon termination of employment.

The General Fund, Bicentennial Center Fund, Central Garage Fund, Information Systems Fund, Sanitation Fund, Solid Waste Fund, Golf Course Fund, and Water and Sewer Fund have been used in prior years to liquidate the liability for compensated absences.

7. Temporary Notes

Upon authorization for the issuance of general obligation bonds for certain improvements, Kansas law permits the temporary financing of such improvements by the issuance of temporary notes. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance of such temporary notes. Temporary notes outstanding are retired from the proceeds of the sale of general obligation bonds.

CITY OF SALINA, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

8. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of business-type net assets are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service fund, and enterprise funds.

CITY OF SALINA, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The budget was amended, from \$82,000 to \$90,014, for the Business Improvement City Fund, from \$850,000 to \$905,001, for the Tourism and Convention Fund, and from \$140,000 to \$155,385, for the Special Alcohol Fund.

The statutes permit management to transfer budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end.

A legal operating budget is not required for capital projects funds, trust funds, and the following special revenue funds: Bicentennial Center Event, HUD Community Development, Community Development Revolving, Heritage Commission, CDBG-ED, HOME IV, Special Law Enforcement, Fair Housing Partnership, Police Grants, Dare Donations, and War Memorial Maintenance. A legal operating budget is not required for the following Enterprise funds: Solid Waste Construction, Water and Sewer Principal and Interest, Water and Sewer Bond Reserve, Water and Sewer Construction and Reserve funds. A legal operating budget is also not required for the Internal Service funds. Actual to budget comparisons for these funds that present budgets to the Commissioners are shown strictly for informational purposes.

Spending in funds, which are not subject to the legal annual operating budget requirements are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

CITY OF SALINA, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Statutory Violations

The following funds had deficit fund equity at December 31, 2005: Capital Projects \$[4,106,972] and Home V \$[318,062]. This Capital Project Fund deficit will be recovered from the issuance of bonds and the Home V deficit will be recovered from grant reimbursements.

Also, actual exceeded budgeted expenditures in the Special Gas Fund, which violates K.S.A. 79-2935.

C. Compliance With Bond Reserve Requirements

Water & Sewer Bond Reserve Requirements

The bond reserve requirement is to establish and maintain a reserve account. The Water & Sewer fund met this requirement for 2005.

Reserve requirement	<u>\$ 679,000</u>
Actual reserves	
Bond reserve account	<u>\$ 700,512</u>
Total actual reserves	<u>\$ 700,512</u>

The City was in compliance with the reserve account balance requirements at December 31, 2005.

D. Legal Debt Margin

The City is subject to the municipal finance law of the state of Kansas which limits the bonded debt (exclusive of revenue bonds and special assessment bonds) the city may have outstanding to 30 percent of the assessed value of all tangible taxable property within the city, as certified to the county clerk on the proceeding August 25. At December 31, 2005, the statutory limit for the City was \$115,184,791, providing a debt margin of \$86,409,999.

Note 3. RESTATEMENT OF EQUITY

Following the close of the previous fiscal year, it was discovered that several capital assets were recorded incorrectly. Also, the classification of temporary notes payable was incorrect in the prior year. Accordingly, the beginning net assets balances were restated, the effects of which are as follows:

	Governmental Activities	Capital Projects Fund	Water and Sewer Fund	Solid Waste Fund	Sanitation Fund	Golf Course Fund
Net Assets, December 31, 2004	\$ 101,321,325	\$ [6,477,626]	\$ 45,819,636	\$ 2,503,203	\$ 911,187	\$ 568,546
Temporary Notes Payable Adjustment	-	2,200,000	-	-	-	-
Capital Asset Adjustment	<u>1,049,591</u>	<u>-</u>	<u>[24,330]</u>	<u>649,284</u>	<u>12,420</u>	<u>17,176</u>
Net Assets, December 31, 2004, Restated	<u>\$ 102,370,916</u>	<u>\$ [4,277,626]</u>	<u>\$ 45,795,306</u>	<u>\$ 3,152,487</u>	<u>\$ 923,607</u>	<u>\$ 585,722</u>

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 4. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's cash is considered to be active funds by management and is invested according to KSA 9-1401. The statute requires that banks eligible to hold active funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate for active funds.

Various City investments are considered to be idle funds by management and are invested according to KSA 12-1675. The statute requires that the City invest its idle funds in only temporary notes of the City, bank certificates of deposit, repurchase agreements, and if eligible banks do not offer an acceptable rate for the funds: U.S. Treasury bills or notes or the Municipal Investment Pool (KMIP). Maturities of the above investments may not exceed two years by statute.

Some of the City's investments are of bond proceeds invested pursuant to KSA 10-131. This statute allows additional investment authority beyond that of KSA 12-1675. Investments of bond proceeds may follow KSA 12-1675 or include other investments such as the KMIP, direct obligations of the U.S. government or any agency thereof, investment agreements with a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's investors service or Standard and Poor's corporation, and various other investments as specified in KSA 10-131.

At December 31, 2005, the City has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. Treasury Bills	\$ 999,397	NA
Kansas Municipal Investment Pool	<u>6,751,192</u>	S&P AA+/S1+
Total fair value	<u>\$ 7,750,589</u>	

At December 31, 2005, the City had invested \$6,751,192 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest by the U.S. government or any agency thereof, with maturities up to four years. No more than 10 percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

The City's investment policy provides direction on concentration risk. The City policy states that funds shall be diversified to reduce the extent of losses due to having an unbalanced portfolio in terms of maturities, instrument type, and issuers. Therefore, portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Liquidity, free of market risk, shall be assured through practices insuring that the next disbursement date and payroll date are covered through maturing investments, marketable U.S. Treasury Bills, the Municipal Investment Pool, or money market accounts.

Default risk shall be minimized by requiring that all security purchases occur on a delivery vs. payment basis, and that all securities are adequately collateralized.

Risk of market price volatility shall be controlled through the adoption of a "buy and hold" strategy whereby the City holds each investment to maturity, coupled with maintenance of an adequate liquidity position to insure the ability to meet normal anticipated cash flow needs.

CITY OF SALINA, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

When advantageous, it is allowable to sell investments to realize a gain due to price fluctuations; however, such transactions shall not be a part of the normal course of business.

The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk due to issuer default. In the event of a default by a specific issuer, the Director of Finance and Administration shall review, and, if appropriate, proceed to liquidate securities having comparable credit risks.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk require that the depository banks will maintain 100% security in the form of FDIC coverage and pledged collateral according to KSA 9-1402.

At December 31, 2005, the Housing Authority of the City of Salina, Kansas has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Municipal Investment Pool	\$ <u>85,276</u>	S&P AAAf/S1+
Total fair value	\$ <u>85,276</u>	

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of year end, including the applicable allowances for doubtful accounts, are as follows:

	General	Employee Benefits	Flood & Drainage Impr.	Tourism and Convention	Special Gas	Bicentennial Center	Debt Service	Subtotal	
Primary Government Receivables:									
Accounts	\$1,852,544	\$ -	\$ -	\$ 209,433	\$ -	\$ 13,357	\$ -	\$ 2,075,334	
Taxes	2,200,914	4,941,303	186,288	-	457,123	-	1,461,186	9,246,814	
Interest	89,106	5,406	6,578	1	9,911	4,382	19,063	134,447	
Gross receivables	4,142,564	4,946,709	192,866	209,434	467,034	17,739	1,480,249	11,456,595	
Less: allowance for uncollectibles	[483,341]	-	-	-	-	-	-	[483,341]	
Total	\$3,659,223	\$ 4,946,709	\$192,866	\$ 209,434	\$467,034	\$ 17,739	\$ 1,480,249	\$10,973,254	
	Capital Projects	Other Governmental	Sanitation	Solid Waste Disposal	Golf Course Division	Water and Sewer	Internal Service	Fiduciary	Total
Primary Government Receivables:									
Accounts	\$ -	\$ 30,400	\$117,784	\$ 205,788	\$ -	\$ 778,163	\$ -	\$ -	\$ 3,207,469
Taxes	-	-	-	-	-	-	-	-	9,246,814
Interest	1,466	48,420	7,486	47,019	1,612	128,778	36,742	4,151	410,121
Notes	-	5,527	-	-	-	-	-	-	5,527
Gross receivables	1,466	84,347	125,270	252,807	1,612	906,941	36,742	4,151	12,869,931
Less: allowance for uncollectibles	-	[2,584]	[18,293]	-	-	[120,854]	-	-	[625,072]
Total	\$ 1,466	\$ 81,763	\$106,977	\$ 252,807	\$ 1,612	\$ 786,087	\$ 36,742	\$ 4,151	\$12,244,859
Component Units									
Salina Airport Authority									
Accounts								\$ 267,568	
Less: allowance for uncollectibles								[1,718]	
Taxes								265,850	
Total Salina Airport Authority								1,158,150	
Salina Housing Authority									
Accounts								18,281	
Interest								1,684	
Total Salina Housing Authority								19,965	
Total								\$ 1,443,965	

C. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2005, is as follows:

Fund Types	Due From	Due To
General Fund	\$ 2,996,152	\$ -
Capital Projects Fund	-	2,722,996
Other Government Funds	-	273,156
	<u>\$ 2,996,152</u>	<u>\$ 2,996,152</u>

The City uses interfund receivables and payables as needed when pooled cash is negative within a fund until investments mature or grant proceeds are received. All payables are cleared in less than one year.

CITY OF SALINA, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance 12/31/2004	Adjustments	Adj. Bal. 12/31/2004	Additions	Retirements	Balance 12/31/2005
City governmental activities:						
Governmental activities:						
Capital assets, not being depreciated						
Construction in progress	\$ 9,966,774	\$ -	\$ 9,966,774	\$ 21,632,709	\$ [11,647,166]	19,952,317
Land	13,823,444	1,070,561	14,894,005	7,479,491	[48,203]	22,325,293
Capital assets, being depreciated						
Infrastructure	121,397,505	[222,553]	121,174,952	2,700,000	-	123,874,952
Buildings and improvements	20,027,364	[7,175]	20,020,189	739,848	-	20,760,037
Vehicles	5,804,725	[130,276]	5,674,449	441,726	[55,738]	6,060,437
Equipment, furniture and fixtures	3,874,739	[122,588]	3,752,151	373,044	[81,960]	4,043,235
Total capital assets	174,894,551	587,969	175,482,520	33,366,818	[11,833,067]	197,016,271
Less accumulated depreciation for:						
Infrastructure	45,005,994	[214,006]	44,791,988	2,548,790	-	47,340,778
Buildings and improvements	8,676,404	[7,750]	8,668,654	495,871	-	9,164,525
Vehicles	4,009,600	[164,994]	3,844,606	492,523	[55,738]	4,281,391
Equipment, furniture and fixtures	2,486,631	[74,872]	2,411,759	291,928	[81,960]	2,621,727
Total accumulated depreciation	60,178,629	[461,622]	59,717,007	3,829,112	[137,698]	63,408,421
Governmental activities capital assets, net	\$ 114,715,922	\$ 1,049,591	\$ 115,765,513	\$ 29,537,706	\$ [11,695,369]	\$ 133,607,850
Business-type activities:						
Capital assets, not being depreciated						
Construction in progress	\$ 61,387	\$ [61,387]	\$ -	\$ -	\$ -	-
Land	913,774	630,336	1,544,110	-	-	1,544,110
Capital assets, being depreciated						
Infrastructure	60,309,999	[40,591]	60,269,408	1,855,420	-	62,124,828
Buildings and improvements	22,524,563	12,422	22,536,985	-	-	22,536,985
Vehicles	2,090,761	[38,500]	2,052,261	358,921	-	2,411,182
Equipment, furniture and fixtures	3,357,178	73,382	3,430,560	35,450	-	3,466,010
Total capital assets	89,257,662	575,662	89,833,324	2,249,791	-	92,083,115
Less accumulated depreciation for:						
Infrastructure	19,196,396	[12,078]	19,184,318	1,704,225	-	20,888,543
Buildings and improvements	7,572,422	-	7,572,422	442,489	-	8,014,911
Vehicles	1,456,873	[66,808]	1,390,065	201,839	-	1,591,904
Equipment, furniture and fixtures	1,679,662	-	1,679,662	231,475	-	1,911,137
Total accumulated depreciation	29,905,353	[78,886]	29,826,467	2,580,028	-	32,406,495
Business-type activities capital assets, net	\$ 59,352,309	\$ 654,548	\$ 60,006,857	\$ [330,237]	\$ -	\$ 59,676,620

CITY OF SALINA, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

The City's depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$ 82,501
Public safety	432,368
Public works	2,875,895
Public health	34,984
Culture and recreation	295,826
Planning and development	107,538
Total depreciation	<u>\$ 3,829,112</u>
Business-type Activities:	
Solid Waste Disposal	\$ 713,970
Water and Sewer	1,728,694
Sanitation	98,216
Golf Course Division	39,148
Total depreciation	<u>\$ 2,580,028</u>

E. Long-Term Debt

Following is a summary of changes in long-term debt for fiscal year 2005:

	Balance January 1, 2005	Adjustments	Adjusted Balance January 1, 2005	Additions	Deletions	Balance December 31, 2005	Amounts Due Within One Year
Governmental activities:							
General obligation bonds	\$ 19,527,270	\$ -	\$ 19,527,270	\$ 4,210,000	\$ 2,534,349	\$ 21,202,921	\$ 2,769,633
Capital lease	41,150	-	41,150	-	20,206	20,944	20,944
Accrued compensation	2,419,509	-	2,419,509	1,023,900	974,761	2,468,648	1,103,411
Temporary notes	6,875,000	-	6,875,000	500,000	4,675,000	2,700,000	500,000
Total	<u>\$ 28,862,929</u>	<u>\$ -</u>	<u>\$ 28,862,929</u>	<u>\$ 5,733,900</u>	<u>\$ 8,204,316</u>	<u>\$ 26,392,513</u>	<u>\$ 4,393,988</u>
Business-type activities:							
General obligation bonds	\$ 7,400,295	\$ -	\$ 7,400,295	\$ -	\$ 1,141,839	\$ 6,258,456	\$ 1,103,556
Revenue bonds	5,615,000	-	5,615,000	-	625,000	4,990,000	640,000
Loans payable	7,777,264	-	7,777,264	-	316,662	7,460,602	330,105
Accrued compensation	624,625	-	624,625	271,151	315,812	579,964	259,227
Total	<u>\$ 21,417,184</u>	<u>\$ -</u>	<u>\$ 21,417,184</u>	<u>\$ 271,151</u>	<u>\$ 2,399,313</u>	<u>\$ 19,289,022</u>	<u>\$ 2,332,888</u>
Component Units:							
General obligation bonds	\$ 5,435,000	\$ -	\$ 5,435,000	\$ 3,635,000	\$ 850,000	\$ 8,220,000	\$ 850,000
Revenue bonds	170,000	-	170,000	-	80,000	90,000	90,000
Loans payable	165,593	-	165,593	-	54,103	111,490	55,184
Temporary notes	3,255,000	-	3,255,000	-	3,255,000	-	-
Special assessment debt	475,917	-	475,917	-	149,298	326,619	24,483
Total component units	<u>\$ 9,501,510</u>	<u>\$ -</u>	<u>\$ 9,501,510</u>	<u>\$ 3,635,000</u>	<u>\$ 4,388,401</u>	<u>\$ 8,748,109</u>	<u>\$ 1,019,667</u>

CITY OF SALINA, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

The following is a detailed listing of the city's long-term debt including general obligation bonds, revenue bonds, temporary notes and loans payable:

<i>Primary Government</i> General Obligation Bonds	Original Issue	Interest Rates	Bonds Outstanding
Water/sewer refunding 1998, due 10/1/2008	\$ 6,010,000	3.80% to 4.40%	\$ 1,801,377
Internal Improvements 1999, due 10/1/2014	5,465,000	4.30% to 5.50%	1,380,000
Internal Improvements 2000, due 10/1/2015	3,885,000	4.625% to 6.50%	1,320,000
Internal Improvements 2001, due 10/1/2016	5,350,000	4.00% to 4.90%	3,910,000
Water/sewer refunding 2002A, due 10/1/2013	2,045,000	3.00% to 4.50%	1,500,000
Internal Improvements 2002B, due 10/1/2017	1,980,000	2.70% to 4.50%	1,480,000
Internal Improvements 2003A, due 10/1/2018	4,350,000	2.13% to 3.85%	3,700,000
Refunding 2004A, due 8/1/15	5,585,000	2.10% to 4.00%	4,490,000
Internal Improvements 2004B, due 10/1/19	4,053,000	3.00% to 4.00%	3,670,000
Internal Improvements 2005A, due 10/1/20	4,210,000	2.95% to 4.25%	4,210,000
Total general obligation bonds			<u>\$ 27,461,377</u>
Revenue Bonds			
Revenue Refunding 2002A, due 9/1/2012	6,790,000	2.20% to 4.25%	\$ 4,990,000
Total revenue bonds			<u>\$ 4,990,000</u>
Loans Payable			
Kansas Public Water Supply, due 2/1/2020	3,600,000	4.29%	\$ 2,891,856
Kansas Public Water Supply, due 2/1/2023	5,000,000	4.13%	4,568,746
Total loans payable			<u>\$ 7,460,602</u>
Temporary Notes			
Series 2003-2, due 7/1/2007	1,200,000	2.00%	\$ 1,200,000
Series 2004-1, due 7/1/2007	1,000,000	2.30%	1,000,000
Series 2005-1, due 8/1/2006	500,000	2.60%	500,000
Total temporary notes			<u>\$ 2,700,000</u>
Capital Lease, due 6/1/2006	60,000	3.65	<u>\$ 20,944</u>

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2005

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

<i>Component Unit</i>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Bonds Outstanding</u>
<i>Salina Airport Authority</i>			
General Obligation Bonds			
General Obligation 1998, due 2008	\$ 4,440,000	4.05% to 5.50%	\$ 1,325,000
General Obligation 1999B, due 2010	555,000	3.90% to 5.20%	280,000
General Obligation 2001A, due 2012	1,385,000	4.45% to 5.60%	1,050,000
General Obligation 2002A, due 2012	2,635,000	2.45% to 3.70%	1,930,000
General Obligation 2005A, due 2020	3,635,000	4.75% to 5.25%	<u>3,635,000</u>
Total general obligation bonds			8,220,000
Revenue Bonds			
Leasehold revenue 1991, due 2006	850,000	5.00% to 7.25%	90,000
Loans Payable			
Kansas Dept of Commerce & Housing, due 2007	468,542	2.00%	111,490
Special assessment debt	565,235	3.19%	<u>326,619</u>
Total			<u>\$ 8,748,109</u>

Annual debt service requirements to maturity for general obligation bonds to be paid with tax levies:

<u>General Obligation - Primary Government</u>			
<u>Year</u>	<u>Bonds Outstanding</u>	<u>Interest Due</u>	<u>Total</u>
2006	\$ 3,873,187	\$ 1,053,773	\$ 4,926,960
2007	3,713,190	879,354	4,592,544
2008	3,375,000	740,384	4,115,384
2009	2,725,000	610,469	3,335,469
2010	2,385,000	516,077	2,901,077
2011-2015	9,155,000	1,402,080	10,557,080
2016-2020	<u>2,235,000</u>	<u>199,639</u>	<u>2,434,639</u>
Total	<u>\$ 27,461,377</u>	<u>\$ 5,401,776</u>	<u>\$ 32,863,153</u>
<u>General Obligation - Component Units</u>			
<u>Year</u>	<u>Bonds Outstanding</u>	<u>Interest Due</u>	<u>Total</u>
2006	\$ 850,000	\$ 386,931	\$ 1,236,931
2007	885,000	339,533	1,224,533
2008	905,000	304,716	1,209,716
2009	710,000	267,626	977,626
2010	750,000	236,158	986,158
2011-2020	<u>4,120,000</u>	<u>1,008,045</u>	<u>5,128,045</u>
Total	<u>\$ 8,220,000</u>	<u>\$ 2,543,009</u>	<u>\$ 10,763,009</u>

CITY OF SALINA, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

Annual debt service requirements to maturity for revenue bonds to be paid with utility revenues:

Revenue Bonds - Primary Government			
Year	Bonds Outstanding	Interest Due	Total
2006	\$ 640,000	\$ 178,060	\$ 818,060
2007	640,000	162,060	802,060
2008	680,000	143,500	823,500
2009	710,000	116,300	826,300
2010	740,000	91,450	831,450
2011-2013	<u>1,580,000</u>	<u>98,495</u>	<u>1,678,495</u>
Total	<u>\$ 4,990,000</u>	<u>\$ 789,865</u>	<u>\$ 5,779,865</u>

Annual debt service requirements to maturity for revenue bonds to be paid with service revenues:

Revenue Bonds - Component Units			
Year	Bonds Outstanding	Interest Due	Total
2006	<u>\$ 90,000</u>	<u>\$ 6,525</u>	<u>\$ 96,525</u>

Annual debt service requirements to maturity for temporary notes - to be paid through the issuance of general obligation bonds:

Temporary Notes - Primary Government			
Year	Notes Outstanding	Interest Due	Total
2006	\$ 500,000	\$ 34,789	\$ 534,789
2007	<u>2,200,000</u>	<u>116,278</u>	<u>2,316,278</u>
Total	<u>\$ 2,700,000</u>	<u>\$ 151,067</u>	<u>\$ 2,851,067</u>

CITY OF SALINA, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

The City has engaged in loans in which they have yet to receive all of the proceeds. The following displays annual debt service requirements to maturity for loans payable to be paid from service revenues, for the full proceeds amount:

Loans - Primary Government			
<u>Year</u>	<u>Bonds Outstanding</u>	<u>Interest Due</u>	<u>Total</u>
2006	\$ 330,105	\$ 283,725	\$ 613,830
2007	344,120	270,878	614,998
2008	358,731	257,484	616,215
2009	373,962	243,521	617,483
2010	389,840	228,966	618,806
2011-2015	2,211,992	903,928	3,115,920
2016-2020	2,588,071	435,272	3,023,343
2021-2023	863,781	49,986	913,767
Total	<u>\$ 7,460,602</u>	<u>\$ 2,673,760</u>	<u>\$ 10,134,362</u>

Loans - Component Unit			
<u>Year</u>	<u>Bonds Outstanding</u>	<u>Interest Due</u>	<u>Total</u>
2006	\$ 55,184	\$ 1,955	\$ 57,139
2007	56,306	846	57,152
Total	<u>\$ 111,490</u>	<u>\$ 2,801</u>	<u>\$ 114,291</u>

Annual debt service requirement to maturity for Special Assessment Debt to be paid from rental revenue:

Special Assessment Debt - Component Unit			
<u>Year</u>	<u>Assessment Outstanding</u>	<u>Interest Due</u>	<u>Total</u>
2006	\$ 24,483	\$ 12,380	\$ 36,863
2007	25,411	11,452	36,863
2008	26,374	10,489	36,863
2009	27,374	9,488	36,862
2010	28,412	8,450	36,862
2011-2016	194,565	26,609	221,174
Total	<u>\$ 326,619</u>	<u>\$ 78,868</u>	<u>\$ 405,487</u>

CITY OF SALINA, KANSAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

Special assessments. As provided by Kansas statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the debt service fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the debt service fund. The special assessments are not recorded as revenue when levied against the respective property owners as such amounts are not available to finance current year operations. The special assessment debt is a contingent obligation of the City to the extent of property owner defaults, which have historically been immaterial.

Conduit debt. The City has entered into several conduit debt arrangements wherein the City issues industrial revenue bonds to finance a portion of the construction of facilities by private enterprises. In return, the private enterprises have executed mortgage notes or leases with the City. The City is not responsible for payment of the original bonds, but rather the debt is secured only by the cash payments agreed to be paid by the private enterprises under the terms of the mortgage or lease agreements. Generally, the conduit debt is arranged so that payments required by the private enterprises are equal to the mortgage payments schedule related to the original debt. At December 31, 2005, total outstanding conduit debt was \$75,520,788.

Subsequent event. On April 1, 2006, the City issued General Obligation Series 2006-A Bonds in the amount of \$2,200,000. The interest rate range on the 2006-A bonds is 4.35% to 5.50%. Also, on April 1, 2006, the City issued General Obligation Temporary Notes, Series 2006-1 in the amount of \$1,800,000. The interest rate on these bonds is 3.592%.

F. Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

	Governmental Activities <u>Assets</u>
Other equipment	\$ 60,000

Minimum future lease payments under capital leases as of December 31, 2005 are:

	Governmental <u>Activities</u>
2006	\$ 21,708
Total minimum lease payments	21,708
Less amount representing interest	<u>[764]</u>
Present value of future minimum lease payments	<u>\$ 20,944</u>

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

G. Reconciliation of Transfers

A reconciliation of interfund transfers follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
General fund	\$ 100,000	\$ 390,553
Tourism and convention fund	-	338,046
Bicentennial center fund	488,046	-
Debt service	212,999	-
Capital project fund	575,000	131,575
Other governmental funds	23,148	505,000
Water and sewer fund	-	40,000
Solid waste disposal fund	44,049	118,068
Internal service funds	80,000	-
Total Transfers	<u>\$ 1,523,242</u>	<u>\$ 1,523,242</u>

The City uses interfund transfers to share administrative costs between funds.

Note 5. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans as provided by Kansas statutes (KSA 74-4901 et seq). KPERS and KP&F provide retirement benefits, life insurance, disability income benefits and death benefits. Kansas law established and amends benefit provisions. KPERS and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to 611 South Kansas, Suite 100; Topeka, Kansas 66603 or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414 (h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate was 4.01% from January 1 to June 30, 2005 and 4.21% from July 1 to December 31, 2005. The City employer contributions to KPERS for the years ending December 31, 2005, 2004, and 2003 were \$500,709, \$375,084 and \$334,377, respectively, equal to the required contributions for each year. The KP&F employer rate established for fiscal years beginning in 2005 is 11.69%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which are determined separately for each participating employer. The City's contributions to KP&F for the years ended December 31, 2005, 2004, and 2003 were \$1,234,727, \$962,807 and \$781,320, respectively, equal to the required contributions for each year.

B. Deferred Compensation Plan

The City offers its employees a deferred compensation plan ("Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Plan assets are transferred to a plan agent in a custodial trust and are not available to the claims of the City's general creditors.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 5. OTHER INFORMATION (Continued)

C. Flexible Benefit Plan (I.R.C. Section 125)

The City Commission has adopted by resolution a salary reduction flexible benefit plan ("Plan") under Section 125 of the Internal Revenue Code. All City employees working more than 20 hours per week are eligible to participate in the Plan beginning after two full months of employment. Each participant may elect to reduce his or her salary to purchase benefits offered through the Plan. Benefits offered through the Plan include various insurance and disability benefits.

D. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters and other events for which the City carries commercial insurance. No significant reductions in insurance coverage from that of the prior year have occurred. Settlements have not exceeded insurance coverage for each of the past three years.

The City has established a limited risk management program for workers' compensation. The program covers all City employees. Premiums are paid into the Workers' Compensation Reserve Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. An excess coverage insurance policy covers individual claims in excess of \$250,000 (\$350,000 for claims involving employees classified as policemen or firemen). Incurred claims, including incurred but not reported claims, have been accrued based primarily upon subsequent payments. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of payouts and other economic and social factors. The liability for claims and judgments is reported in the Workers' Compensation Reserve Fund because it is expected to be liquidated with expendable available financial resources. Of the liability, \$10,934 is considered to be due within one year. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2005</u>	<u>2004</u>
Unpaid claims, January 1	\$ 337,209	\$ 247,459
Incurred claims (including IBNRs)	256,991	281,750
Claim payments	<u>[340,709]</u>	<u>[192,000]</u>
Unpaid claims, December 31	<u>\$ 253,491</u>	<u>\$ 337,209</u>

The City established a limited risk management program for employee health and dental insurance in 1997. The program covers eligible City employees. Premiums are paid into the health insurance fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. An excess coverage insurance policy covers individual claims in excess of \$50,000. Incurred claims, including incurred but not reported claims, have been accrued based primarily upon subsequent payments. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of payouts and other economic and social factors. The liability for claims and judgments in the Health Insurance Fund because it is expected to be liquidated with expendable available financial resources. Therefore, all of the liability is considered to be due within one year. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2005</u>	<u>2004</u>
Unpaid claims, January 1	\$ 301,932	\$ 374,346
Incurred claims (including IBNRs)	3,316,668	2,774,366
Claim payments	<u>[3,293,862]</u>	<u>[2,846,780]</u>
Unpaid claims, December 31	<u>\$ 324,738</u>	<u>\$ 301,932</u>

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 5. OTHER INFORMATION (Continued)

E. Capital Projects

Capital projects often extend over two or more fiscal years. The following is a schedule, which compares the project authorization including allowable interest revenue to total project expenditures from project inception to December 31, 2005.

<u>Project</u>	<u>Authorization</u>	<u>Expenditures</u>
Cedar Ridge Addition and Drive	\$ 1,195,878	\$ 1,003,288
South Ohio Water Line Extension	500,000	277,552
2004 Subdivisions	462,224	970,352
Bi Center HVAC	500,000	316,386
North 9th Bridge	375,000	393,700
Lakewood Bridge	150,000	244,098
Bill Burke Soccer	300,000	273,160
RiverRun Subdivision	2,358,962	1,599,468
North Broadway Corridor	1,800,000	279,908
West Grand	290,076	56,865
Fire Station #2 Renovation	1,200,000	141,024
N Ohio Grade Separation	6,200,000	7,848,491
Marymount Extension	282,761	337,370
South Ohio Corridor	2,830,000	216,076
Twin Oaks Sewer	55,010	53,383
Pioneer Presidents Place	407,477	62,830
2005 Utility Improvements	60,095	6,003
Pacific Avenue	300,000	90,268

F. Contingent Liabilities

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material effect on any of the financial statements of the City at December 31, 2005.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

G. Municipal Solid Waste Landfill

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense of the solid waste fund in each period based on landfill capacity used as of each balance sheet date. The \$1,793,966 reported as landfill closure and postclosure care liability at December 31 represents the cumulative amount reported to date based on the use of 29.6% of the estimated capacity of the landfill.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2005

Note 5. OTHER INFORMATION (Continued)

G. Municipal Solid Waste Landfill (Continued)

The City's solid waste fund will recognize the remaining estimate cost of closure and postclosure care of \$4,257,968 as the remaining estimated capacity is filled over the remaining life expectancy of 81 years. The liability increased \$32,706 during the current year. There were not any reductions of the liability during the current year.

These amounts are based on what it would cost to perform all closure and postclosure care in 2005. Actual cost may be higher due to inflation, changes, in technology or changes in regulations. The City is required by State and Federal laws and regulations to provide assurances of financial responsibility for closure and post-closure care. The City has elected to utilize the Local Government Financial test promulgated by the U.S. Environmental Protection Agency (at 40 CFR 258.74(f)) and the Kansas Department of Health and Environment to provide these assurances. Any future closure or post-closure care costs will be provided through the normal budgeting and rate setting process, including the issuance of general obligation bonds, if necessary.

H. Environmental Matters

The Kansas Department of Health and Environment (KDHE) issued a report in 1994 indicating the presence of volatile organic compounds at levels requiring remediation at the Salina Public Water Supply Wells Site (the Site). The City adopted a proactive Policy and Action Plan to remediate the groundwater contamination, and on December 7, 1994, the City and KDHE entered into a Consent Order and Settlement Agreement under which the City assumed primary responsibility for the further investigation and remediation of the groundwater contamination. Field testing work has been completed. The necessary remediation work will be conducted over the next several years at a yet undetermined cost to the City's Water and Sewer Fund.

The U.S. Government Department of Defense transferred property located at the former Schilling Air Force Base to the Salina Airport Authority September 9, 1966. The property is now known to contain areas of extensive soil and groundwater contamination, primarily from the use and disposal of chlorinated solvents and petroleum products caused by activities at the former base during its period of active military duty from 1942 to 1965.

The U.S. Government Department of Defense is responsible for the investigation and remediation of contamination caused by military activities at current and former military bases. The U.S. Army Corps of Engineers is the lead agency for the Department at formerly used defense sites. The Corps is currently investigating contamination at the former base under the regulatory oversight of the U.S. Environmental Protection Agency and Kansas Department of Health and Environment. The former base is not designated as a National Priority List Superfund site, but investigation and remediation is required to be in compliance with the Comprehensive Environmental Response, Compensation and Liability Act.

Potential liability for contamination under the Act extends broadly to parties associated with the release or presence of hazardous substances, including not only those entities involved with contaminant use and disposal, but in some cases other current and former owners and operators of contaminated sites. As a current owner of extensive amounts of property at the former base, the Authority is potentially liable under the act.

The Authority has determined that while a possible liability exists, it is not probable and at this time, no reasonable estimate of the possible liability can be made. Therefore, no liability relating to that matter has been recorded. The Authority is under no administrative orders from the U.S. Environmental Protection Agency or the Kansas Department of Health and Environment. The Authority is considered to be a Potentially Responsible Party for the former base site, primarily due to its status as a property owner.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
GENERAL FUND

For the Year Ended December 31, 2005

		<u>Budgeted Amounts</u>		Variance with
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Taxes				
Real estate taxes	\$ 2,353,064	\$ 2,369,358	\$ 2,369,358	\$ [16,294]
Delinquent taxes	59,455	50,000	50,000	9,455
Motor vehicle taxes	228,999	263,941	263,941	[34,942]
General sales tax	10,555,924	10,740,000	10,740,000	[184,076]
Other taxes	2,110,775	2,060,000	2,060,000	50,775
Total taxes	<u>15,308,217</u>	<u>15,483,299</u>	<u>15,483,299</u>	<u>[175,082]</u>
Charges for Services				
General charges	65,883	-	-	65,883
General government	5,890	-	-	5,890
Public safety	3,157,361	2,684,100	2,684,100	473,261
Public works	163,108	176,000	176,000	[12,892]
Health and sanitation	38,571	38,500	38,500	71
Culture and recreation	586,666	510,000	510,000	76,666
Community and economic development	8,445	8,500	8,500	[55]
Total charges for services	<u>4,025,924</u>	<u>3,417,100</u>	<u>3,417,100</u>	<u>608,824</u>
Operating grants, restricted				
General grants	141,234	170,000	170,000	[28,766]
Public safety	718,165	678,912	678,912	39,253
Total operating grants, restricted	<u>859,399</u>	<u>848,912</u>	<u>848,912</u>	<u>10,487</u>
Operating grants, unrestricted				
Public safety	2,000	-	-	2,000
Public works	2,187	1,000	1,000	1,187
Community and economic development	5,840	-	-	5,840
Total operating grants, unrestricted	<u>10,027</u>	<u>1,000</u>	<u>1,000</u>	<u>9,027</u>
Interest income				
General interest	123,725	152,520	152,520	[28,795]
Total interest income	<u>123,725</u>	<u>152,520</u>	<u>152,520</u>	<u>[28,795]</u>
Interfund services provided				
General services	606,653	746,250	746,250	[139,597]
General government	1,281,608	1,097,000	1,097,000	184,608
Community and economic development	100,000	100,000	100,000	-
Total interfund services provided	<u>1,988,261</u>	<u>1,943,250</u>	<u>1,943,250</u>	<u>45,011</u>
Miscellaneous revenues				
General miscellaneous revenues	77,043	62,500	62,500	14,543
General government	185	-	-	185
Public safety	52,064	32,000	32,000	20,064
Public works	69,073	-	-	69,073
Health and sanitation	110	-	-	110
Culture and recreation	2,749	-	-	2,749
Community and economic development	8,500	-	-	8,500
Total miscellaneous revenues	<u>209,724</u>	<u>94,500</u>	<u>94,500</u>	<u>115,224</u>
Proceeds of capital assets				
General sales	34,829	30,000	30,000	4,829
Total proceeds of capital assets	<u>34,829</u>	<u>30,000</u>	<u>30,000</u>	<u>4,829</u>
Total revenues	<u>22,560,106</u>	<u>21,970,581</u>	<u>21,970,581</u>	<u>589,525</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
GENERAL FUND

For the Year Ended December 31, 2005

		<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
Expenditures				
General Government				
City commission	\$ 110,257	\$ 105,450	\$ 105,450	\$ [4,807]
City manager	301,255	412,250	412,250	110,995
Legal	134,986	131,300	131,300	[3,686]
Finance	393,916	421,491	421,491	27,575
Human resources	264,109	222,754	222,754	[41,355]
Other general government	1,108,905	965,000	965,000	[143,905]
Contingencies	48,190	200,000	200,000	151,810
Total general government	<u>2,361,618</u>	<u>2,458,245</u>	<u>2,458,245</u>	<u>96,627</u>
Public Safety				
Police	4,865,733	5,045,445	5,045,445	179,712
Municipal court	1,129,693	933,046	933,046	[196,647]
Fire	4,509,596	4,505,839	4,505,839	[3,757]
Total public safety	<u>10,505,022</u>	<u>10,484,330</u>	<u>10,484,330</u>	<u>[20,692]</u>
Public Works				
Buildings and general improvements	782,186	695,618	695,618	[86,568]
Engineering	532,152	536,507	536,507	4,355
Streets	1,478,088	1,548,611	1,548,611	70,523
Flood works	135,779	140,528	140,528	4,749
Traffic control	539,513	591,139	591,139	51,626
Parks	1,038,840	1,041,173	1,041,173	2,333
ADA compliance	13,048	25,000	25,000	11,952
Total public works	<u>4,519,606</u>	<u>4,578,576</u>	<u>4,578,576</u>	<u>58,970</u>
Public Health and Sanitation				
Cemetery	90,734	93,950	93,950	3,216
Health department	796,362	796,362	796,362	-
Total public health and sanitation	<u>887,096</u>	<u>890,312</u>	<u>890,312</u>	<u>3,216</u>
Culture and Recreation				
Swimming pools	69,375	75,900	75,900	6,525
Neighborhood centers	50,568	55,598	55,598	5,030
Recreation	1,301,396	1,178,830	1,178,830	[122,566]
Arts and humanities	321,645	313,380	313,380	[8,265]
Smoky Hill museum	318,406	332,548	332,548	14,142
Total culture and recreation	<u>2,061,390</u>	<u>1,956,256</u>	<u>1,956,256</u>	<u>[105,134]</u>
Community Development				
Human relations	195,868	193,099	193,099	[2,769]
Development services	829,837	1,000,574	1,000,574	170,737
Agency contracts	264,526	280,000	280,000	15,474
Total community development	<u>1,290,231</u>	<u>1,473,673</u>	<u>1,473,673</u>	<u>183,442</u>
Capital Outlay				
Capital outlay	1,313,125	842,441	842,441	[470,684]
Cash Reserve	-	4,171,136	4,171,136	4,171,136
Total expenditures	<u>22,938,088</u>	<u>26,854,969</u>	<u>26,854,969</u>	<u>3,916,881</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[377,982]</u>	<u>[4,884,388]</u>	<u>[4,884,388]</u>	<u>4,506,406</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
GENERAL FUND

For the Year Ended December 31, 2005

		<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
Other financing sources [uses]				
Transfer [out]	\$ [390,553]	\$ [190,000]	\$ [190,000]	\$ [200,553]
Total other financing sources [uses]	<u>[390,553]</u>	<u>[190,000]</u>	<u>[190,000]</u>	<u>[200,553]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	[768,535]	[5,074,388]	[5,074,388]	4,305,853
Unreserved fund balance, January 1	5,756,911	5,074,388	5,074,388	682,523
Prior year cancelled encumbrances	<u>6,508</u>	-	-	<u>6,508</u>
Unreserved fund balance, December 31	4,994,884	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,994,884</u>
Reconciliation to GAAP				
Interest receivable	89,106			
Accounts receivable	1,369,203			
Taxes receivable, net	89,620			
Inventory	103,892			
Retainage payable	[902]			
Current year encumbrances	<u>421,156</u>			
GAAP Fund Balance, December 31	<u>\$ 7,066,959</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
EMPLOYEE BENEFITS FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Taxes				
Real estate taxes	\$ 4,075,390	\$ 4,099,789	\$ 4,099,789	\$ [24,399]
Delinquent taxes	107,257	55,000	55,000	52,257
Motor vehicle taxes	440,979	514,269	514,269	[73,290]
Total taxes	4,623,626	4,669,058	4,669,058	[45,432]
Miscellaneous revenues				
General miscellaneous revenues	-	2,000	2,000	[2,000]
Total revenues	4,623,626	4,671,058	4,671,058	[47,432]
Expenditures				
General Government				
City commission	1,425	1,404	1,404	[21]
City manager	67,461	91,501	91,501	24,040
Finance	89,324	93,003	93,003	3,679
Human resources	47,205	45,930	45,930	[1,275]
Total general government	205,415	231,838	231,838	26,423
Public Safety				
Police	1,444,372	1,449,949	1,449,949	5,577
Municipal court	143,352	122,487	122,487	[20,865]
Fire	1,464,021	1,385,720	1,385,720	[78,301]
Total public safety	3,051,745	2,958,156	2,958,156	[93,589]
Public Works				
Buildings and general improvements	86,336	77,445	77,445	[8,891]
Engineering	127,854	134,507	134,507	6,653
Streets	283,657	302,274	302,274	18,617
Flood works	38,871	39,810	39,810	939
Traffic control	44,830	47,686	47,686	2,856
Parks	255,550	273,972	273,972	18,422
Total public works	837,098	875,694	875,694	38,596

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
EMPLOYEE BENEFITS FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Expenditures - continued				
Public Health and Sanitation				
Cemetery	\$ 26,746	\$ 28,004	\$ 28,004	\$ 1,258
Culture and Recreation				
Swimming pools	3,886	4,940	4,940	1,054
Neighborhood centers	6,971	4,495	4,495	[2,476]
Recreation	156,541	156,450	156,450	[91]
Bi-Centennial Center	197,450	210,594	210,594	13,144
Arts and humanities	70,013	72,988	72,988	2,975
Smoky Hill museum	59,166	67,065	67,065	7,899
Total culture and recreation	494,027	516,532	516,532	22,505
Community Development				
Human relations	51,292	43,199	43,199	[8,093]
Developmental services	206,323	214,836	214,836	8,513
Total community development	257,615	258,035	258,035	420
Other				
Health insurance	15,917	8,000	8,000	[7,917]
Cash Reserve	-	355,264	355,264	355,264
Total expenditures	4,888,563	5,231,523	5,231,523	342,960
Excess [deficiency] of revenues over [under] expenditures	[264,937]	[560,465]	[560,465]	295,528
Unreserved fund balance, January 1	612,266	560,465	560,465	51,801
Unreserved fund balance, December 31	347,329	\$ -	\$ -	\$ 347,329
Reconciliation to GAAP				
Interest receivable	5,406			
Taxes receivable, net	168,724			
GAAP Fund Balance, December 31	\$ 521,459			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
FLOOD AND DRAINAGE IMPROVEMENT FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Taxes				
Real estate taxes	\$ 81,217	\$ 81,737	\$ 81,737	\$ [520]
Delinquent taxes	7,706	3,000	3,000	4,706
Motor vehicle taxes	41,658	40,781	40,781	877
Total taxes	<u>130,581</u>	<u>125,518</u>	<u>125,518</u>	<u>5,063</u>
 Total revenues	 <u>130,581</u>	 <u>125,518</u>	 <u>125,518</u>	 <u>5,063</u>
Expenditures				
Capital Outlay	279,752	200,000	200,000	[79,752]
Debt Service	100,000	100,000	100,000	-
Cash Reserve	-	80,000	80,000	80,000
Total expenditures	<u>379,752</u>	<u>380,000</u>	<u>380,000</u>	<u>248</u>
Excess [deficiency] of revenues over [under] expenditures	[249,171]	[254,482]	[254,482]	5,311
Unreserved fund balance, January 1	<u>468,545</u>	<u>254,482</u>	<u>254,482</u>	<u>214,063</u>
Unreserved fund balance, December 31	219,374	\$ -	\$ -	\$ 219,374
Reconciliation to GAAP				
Interest receivable	6,578			
Taxes receivable, net	10,347			
Current year encumbrances	<u>92,421</u>			
GAAP Fund Balance, December 31	<u>\$ 328,720</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
TOURISM AND CONVENTION FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Taxes				
Other taxes	\$ 842,127	\$ 850,000	\$ 850,000	\$ [7,873]
Interest income				
General interest	<u>719</u>	<u>-</u>	<u>-</u>	<u>719</u>
Total revenues	<u>842,846</u>	<u>850,000</u>	<u>850,000</u>	<u>[7,154]</u>
Expenditures				
Community Development				
Tourism	<u>559,740</u>	<u>510,000</u>	<u>565,001</u>	<u>5,261</u>
Total expenditures	<u>559,740</u>	<u>510,000</u>	<u>565,001</u>	<u>5,261</u>
Excess [deficiency] of revenues over [under] expenditures	<u>283,106</u>	<u>340,000</u>	<u>284,999</u>	<u>[1,893]</u>
Other financing sources [uses]				
Transfer [out]	<u>[338,046]</u>	<u>[340,000]</u>	<u>[340,000]</u>	<u>1,954</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[54,940]</u>	<u>-</u>	<u>[55,001]</u>	<u>61</u>
Unreserved fund balance, January 1	<u>55,001</u>	<u>-</u>	<u>55,001</u>	<u>-</u>
Unreserved fund balance, December 31	61	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61</u>
Reconciliation to GAAP				
Accounts receivable	209,433			
Interest receivable	<u>1</u>			
GAAP Fund Balance, December 31	<u>\$ 209,495</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
SPECIAL GAS FUND

For the Year Ended December 31, 2005

		<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
Revenues				
Operating grants, restricted				
Public works	\$ 1,493,209	\$ 1,600,000	\$ 1,600,000	\$ [106,791]
Interest income				
General interest	18,231	10,000	10,000	8,231
Total revenues	1,511,440	1,610,000	1,610,000	[98,560]
Expenditures				
Public works				
Streets	118,609	131,000	131,000	12,391
Capital Outlay	1,776,634	1,610,000	1,610,000	[166,634]
Cash Reserve	-	118,527	118,527	118,527
Total expenditures	1,895,243	1,859,527	1,859,527	[35,716]
Excess [deficiency] of revenues over [under] expenditures	[383,803]	[249,527]	[249,527]	[134,276]
Unreserved fund balance, January 1	427,851	249,527	249,527	178,324
Prior year cancelled encumbrances	115,699	-	-	115,699
Unreserved fund balance, December 31	159,747	\$ -	\$ -	\$ 159,747
Reconciliation to GAAP				
Taxes receivable	457,123			
Interest receivable	9,911			
Retainage payable	[3,831]			
Current year encumbrances	446,476			
GAAP Fund Balance, December 31	\$ 1,069,426			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
BICENTENNIAL CENTER FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Charges for services				
Culture and recreation	\$ 820,419	\$ 850,500	\$ 850,500	\$ [30,081]
Interest income				
General interest	1,778	5,000	5,000	[3,222]
Miscellaneous revenues				
General miscellaneous revenues	<u>171</u>	<u>-</u>	<u>-</u>	<u>171</u>
Total revenues	<u>822,368</u>	<u>855,500</u>	<u>855,500</u>	<u>[33,132]</u>
Expenditures				
Culture and Recreation				
Bi-Centennial Center	1,293,833	1,354,464	1,354,464	60,631
Capital Outlay	7,979	19,100	19,100	11,121
Cash Reserve	<u>-</u>	<u>165,768</u>	<u>165,768</u>	<u>165,768</u>
Total expenditures	<u>1,301,812</u>	<u>1,539,332</u>	<u>1,539,332</u>	<u>237,520</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[479,444]</u>	<u>[683,832]</u>	<u>[683,832]</u>	<u>204,388</u>
Other financing sources [uses]				
Transfer in	<u>488,046</u>	<u>490,000</u>	<u>490,000</u>	<u>[1,954]</u>
Total other financing sources [uses]	<u>488,046</u>	<u>490,000</u>	<u>490,000</u>	<u>[1,954]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	8,602	[193,832]	[193,832]	202,434
Unreserved fund balance, January 1	<u>251,959</u>	<u>193,832</u>	<u>193,832</u>	<u>58,127</u>
Unreserved fund balance, December 31	260,561	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,561</u>
Reconciliation to GAAP				
Accounts receivable	13,357			
Interest receivable	<u>4,382</u>			
GAAP Fund Balance, December 31	<u>\$ 278,300</u>			

See independent auditor's report on the financial statements.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF SALINA, KANSAS
COMBINING STATEMENTS - NONMAJOR FUNDS
NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Business improvement City fund - State law allows businesses within an area to voluntarily establish an improvement City. This fund is used to account for the assessments made on the City. All revenues are to be used within the Business Improvement City.

Neighborhood park fund - To account for fees collected from new residential building projects in Salina. Expenditures are for acquisition or development of neighborhood parks in the growing areas of the community.

Special parks and recreation fund - To account for liquor tax revenues, which must be used for park maintenance and improvements.

Special alcohol fund - To account for liquor tax revenues, which must be used for programs, which address prevention, education or intervention for drug and alcohol abuse.

Bicentennial center event fund - To account for the revenues and expenses associated with special events (concerts, shows, etc.) at the City's convention center.

HUD community development fund - To account for grants received from the state to be used for housing or economic development purposes.

Community development revolving fund - To account for funds, which may be loaned for housing and economic development, purposes, to later be repaid and reused on a revolving basis.

Heritage commission fund - To account for revenues and expenses associated with heritage preservation activities.

Sales tax capital fund - To account for 87.5% of the 1/4 cent sales tax designated for capital, debt, and human services purposes.

Sales tax economic development fund - To account for 12.5% of the 1/4 cent sales tax designated for economic Development purposes.

Fair housing fund - To account for grants received from the federal government to be used to monitor and mediate fair housing complaints.

CDBG ED fund- To account for grants received from the federal government to be used for economic development loans to qualifying businesses.

HOME V fund - To account for grants received from the state government to be used for housing rehabilitation.

Special law enforcement fund - To account for revenues received from the sale of forfeited assets acquired during drug enforcement activities. Expenses are limited to capital items to be used for further drug enforcement activities.

Police grants fund - To account for revenues from grants, which are to be used for special police activities, including the D.A.R.E. program

D.A.R.E. donations fund - To account for donations to the D.A.R.E. program.

War memorial maintenance fund - To account for monies to be used for maintenance of the local war memorial.

CITY OF SALINA, KANSAS
COMBINING STATEMENTS - NONMAJOR FUNDS
NONMAJOR PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery endowment fund - To account for amounts expended for perpetual care of the City cemetery. Interest earnings are used for cemetery maintenance.

Mausoleum endowment fund - To account for amounts charged for perpetual care of the City mausoleum. Interest earnings are used for mausoleum maintenance.

Tricentennial commission fund - To account for donations to be used to celebrate the nation's tricentennial in the year 2076.

CITY OF SALINA, KANSAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2005

	Total Nonmajor Special Revenue <u>Funds</u>	Total Nonmajor Permanent <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS			
Cash and investments	\$ 2,839,492	\$ 337,626	\$ 3,177,118
Receivables			
Accounts	27,816	-	27,816
Interest	43,170	5,250	48,420
Notes	<u>5,527</u>	<u>-</u>	<u>5,527</u>
Total assets	<u>\$ 2,916,005</u>	<u>\$ 342,876</u>	<u>\$ 3,258,881</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 60,506	\$ -	\$ 60,506
Due to other funds	<u>273,156</u>	<u>-</u>	<u>273,156</u>
Total liabilities	<u>333,662</u>	<u>-</u>	<u>333,662</u>
Fund balances:			
Reserved for encumbrances	305,301	-	305,301
Reserved for notes receivable	5,527	-	5,527
Unreserved			
Undesignated	<u>2,271,515</u>	<u>342,876</u>	<u>2,614,391</u>
Total fund balances	<u>2,582,343</u>	<u>342,876</u>	<u>2,925,219</u>
Total liabilities and fund balances	<u>\$ 2,916,005</u>	<u>\$ 342,876</u>	<u>\$ 3,258,881</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

	Total Nonmajor Special Revenue <u>Funds</u>	Total Nonmajor Permanent <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
REVENUES			
Taxes	\$ 2,280,387	\$ -	\$ 2,280,387
Intergovernmental	282,468	-	282,468
Charges for services	1,000,042	6,924	1,006,966
Licenses and permits	13,525	-	13,525
Investment revenue	207,680	8,739	216,419
Miscellaneous	<u>42,388</u>	<u>-</u>	<u>42,388</u>
Total revenues	<u>3,826,490</u>	<u>15,663</u>	<u>3,842,153</u>
EXPENDITURES			
Current			
Culture and recreation	913,515	-	913,515
Public health and sanitation	148,107	-	148,107
Planning and development	461,226	-	461,226
Miscellaneous	-	35	35
Capital outlay	<u>684,657</u>	<u>-</u>	<u>684,657</u>
Total expenditures	<u>2,207,505</u>	<u>35</u>	<u>2,207,540</u>
Excess [deficiency] of revenues over [under] expenditures	<u>1,618,985</u>	<u>15,628</u>	<u>1,634,613</u>
Other financing sources [uses]			
Transfers in	23,148	-	23,148
Transfers [out]	<u>[505,000]</u>	<u>-</u>	<u>[505,000]</u>
Total other financing sources [uses]	<u>[481,852]</u>	<u>-</u>	<u>[481,852]</u>
Net change in fund balance	1,137,133	15,628	1,152,761
Fund balance - Beginning of year	<u>1,445,210</u>	<u>327,248</u>	<u>1,772,458</u>
Fund balance - End of year	<u>\$ 2,582,343</u>	<u>\$ 342,876</u>	<u>\$ 2,925,219</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2005

	Business Improvement District	Neighborhood Park	Special Parks & Recreation	Special Alcohol
ASSETS				
Cash and investments	\$ 6,331	\$ 130,077	\$ 95,720	\$ 8,650
Receivables				
Accounts	27,276	-	-	-
Interest	95	2,023	1,488	134
Notes	-	-	-	-
Total assets	<u>\$ 33,702</u>	<u>\$ 132,100</u>	<u>\$ 97,208</u>	<u>\$ 8,784</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,321	\$ 746	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	<u>6,321</u>	<u>746</u>	<u>-</u>	<u>-</u>
Fund balance:				
Reserved for encumbrances	-	-	797	-
Reserved for notes receivable	-	-	-	-
Unreserved				
Undesignated [deficit]	<u>27,381</u>	<u>131,354</u>	<u>96,411</u>	<u>8,784</u>
Total fund balance [deficit]	<u>27,381</u>	<u>131,354</u>	<u>97,208</u>	<u>8,784</u>
Total liabilities and fund balances	<u>\$ 33,702</u>	<u>\$ 132,100</u>	<u>\$ 97,208</u>	<u>\$ 8,784</u>

<u>Bicentennial Center Event</u>	<u>HUD Community Dev.</u>	<u>Comm. Development. Revolving</u>	<u>Heritage Commission</u>	<u>Sales Tax Capital</u>	<u>Sales Tax Economic Development</u>
\$ 25,572	\$ 61,413	\$ 186,524	\$ 720	\$ 1,685,191	\$ 335,186
-	-	-	-	-	-
-	955	2,900	11	26,204	5,212
-	<u>5,527</u>	-	-	-	-
<u>\$ 25,572</u>	<u>\$ 67,895</u>	<u>\$ 189,424</u>	<u>\$ 731</u>	<u>\$ 1,711,395</u>	<u>\$ 340,398</u>

\$ -	\$ -	\$ -	\$ -	\$ 7,417	\$ -
-	-	-	-	-	-
-	-	-	-	<u>7,417</u>	-

-	-	-	-	304,504	-
-	5,527	-	-	-	-
<u>25,572</u>	<u>62,368</u>	<u>189,424</u>	<u>731</u>	<u>1,399,474</u>	<u>340,398</u>
<u>25,572</u>	<u>67,895</u>	<u>189,424</u>	<u>731</u>	<u>1,703,978</u>	<u>340,398</u>
<u>\$ 25,572</u>	<u>\$ 67,895</u>	<u>\$ 189,424</u>	<u>\$ 731</u>	<u>\$ 1,711,395</u>	<u>\$ 340,398</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2005

	Fair Housing	CDBG ED	HOME V	Special Law Enforcement
ASSETS				
Cash and investments	\$ 220,196	\$ 2,659	\$ -	\$ 12,492
Receivables				
Accounts	-	-	-	-
Interest	3,424	-	-	194
Notes	-	-	-	-
Total assets	<u>\$ 223,620</u>	<u>\$ 2,659</u>	<u>\$ -</u>	<u>\$ 12,686</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,116	\$ -	\$ 44,906	\$ -
Due to other funds	-	-	273,156	-
Total liabilities	<u>1,116</u>	<u>-</u>	<u>318,062</u>	<u>-</u>
Fund balance:				
Reserved for encumbrances	-	-	-	-
Reserved for notes receivable	-	-	-	-
Unreserved				
Undesignated [deficit]	<u>222,504</u>	<u>2,659</u>	<u>[318,062]</u>	<u>12,686</u>
Total fund balance [deficit]	<u>222,504</u>	<u>2,659</u>	<u>[318,062]</u>	<u>12,686</u>
Total liabilities and fund balances	<u>\$ 223,620</u>	<u>\$ 2,659</u>	<u>\$ -</u>	<u>\$ 12,686</u>

<u>Police Grants</u>	<u>DARE Donations</u>	<u>War Memorial Maintenance</u>	<u>Totals</u>
\$ 21	\$ 34,711	\$ 34,029	\$ 2,839,492
-	540	-	27,816
-	-	530	43,170
-	-	-	5,527
<u>\$ 21</u>	<u>\$ 35,251</u>	<u>\$ 34,559</u>	<u>\$ 2,916,005</u>
\$ -	\$ -	\$ -	\$ 60,506
-	-	-	273,156
-	-	-	333,662
-	-	-	305,301
-	-	-	5,527
<u>21</u>	<u>35,251</u>	<u>34,559</u>	<u>2,271,515</u>
<u>21</u>	<u>35,251</u>	<u>34,559</u>	<u>2,582,343</u>
<u>\$ 21</u>	<u>\$ 35,251</u>	<u>\$ 34,559</u>	<u>\$ 2,916,005</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2005

	Business Improvement <u>District</u>	Neighborhood <u>Park</u>	Special Parks & <u>Recreation</u>	Special <u>Alcohol</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	141,234	141,234
Charges for services	87,722	-	-	-
Licenses and permits	-	13,525	-	-
Investment revenue	190	3,463	2,267	182
Miscellaneous	-	-	-	-
Total Revenues	<u>87,912</u>	<u>16,988</u>	<u>143,501</u>	<u>141,416</u>
Expenditures				
Current				
Culture and recreation	-	-	-	-
Public health and sanitation	-	-	-	148,107
Planning and development	87,136	-	-	-
Capital outlay	-	39,410	115,854	-
Total Expenditures	<u>87,136</u>	<u>39,410</u>	<u>115,854</u>	<u>148,107</u>
Excess [deficiency] of revenues over [under] expenditures	<u>776</u>	<u>[22,422]</u>	<u>27,647</u>	<u>[6,691]</u>
Other financing sources [uses]				
Transfers in	-	-	23,148	-
Transfers [out]	-	-	[30,000]	-
Total other financing sources [uses]	<u>-</u>	<u>-</u>	<u>[6,852]</u>	<u>-</u>
Net change in fund balance	776	[22,422]	20,795	[6,691]
Fund balance, beginning of year	<u>26,605</u>	<u>153,776</u>	<u>76,413</u>	<u>15,475</u>
Fund balance, end of year	<u>\$ 27,381</u>	<u>\$ 131,354</u>	<u>\$ 97,208</u>	<u>\$ 8,784</u>

<u>Bicentennial Center Event</u>	<u>HUD Community Development</u>	<u>Community Development Revolving</u>	<u>Heritage Commission</u>	<u>Sales Tax Capital</u>	<u>Sales Tax Economic Development</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,995,338	\$ 285,049
-	-	-	-	-	-
912,320	-	-	-	-	-
-	-	-	-	-	-
-	1,594	4,824	20	43,322	8,205
-	-	2,951	-	-	-
<u>912,320</u>	<u>1,594</u>	<u>7,775</u>	<u>20</u>	<u>2,038,660</u>	<u>293,254</u>
913,222	-	-	-	-	-
-	-	-	-	-	-
-	-	-	376	-	-
-	-	-	-	499,393	30,000
<u>913,222</u>	<u>-</u>	<u>-</u>	<u>376</u>	<u>499,393</u>	<u>30,000</u>
<u>[902]</u>	<u>1,594</u>	<u>7,775</u>	<u>[356]</u>	<u>1,539,267</u>	<u>263,254</u>
-	-	-	-	-	-
-	-	-	-	[375,000]	-
-	-	-	-	[375,000]	-
[902]	1,594	7,775	[356]	1,164,267	263,254
<u>26,474</u>	<u>66,301</u>	<u>181,649</u>	<u>1,087</u>	<u>539,711</u>	<u>77,144</u>
<u>\$ 25,572</u>	<u>\$ 67,895</u>	<u>\$ 189,424</u>	<u>\$ 731</u>	<u>\$ 1,703,978</u>	<u>\$ 340,398</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2005

	Fair Housing	CDBG ED	HOME V	Special Law Enforcement
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Licenses and permits	-	-	-	-
Investment revenue	141,983	-	-	324
Miscellaneous	404	34,567	-	-
Total Revenues	<u>142,387</u>	<u>34,567</u>	<u>-</u>	<u>324</u>
Expenditures				
Current				
Culture and recreation	-	-	-	-
Public health and sanitation	-	-	-	-
Planning and development	23,744	31,908	318,062	-
Capital outlay	-	-	-	-
Total Expenditures	<u>23,744</u>	<u>31,908</u>	<u>318,062</u>	<u>-</u>
Excess [deficiency] of revenues over [under] expenditures	<u>118,643</u>	<u>2,659</u>	<u>[318,062]</u>	<u>324</u>
Other financing sources [uses]				
Transfers in	-	-	-	-
Transfers [out]	<u>[100,000]</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources [uses]	<u>[100,000]</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	18,643	2,659	[318,062]	324
Fund balance, beginning of year	<u>203,861</u>	<u>-</u>	<u>-</u>	<u>12,362</u>
Fund balance, end of year	<u>\$ 222,504</u>	<u>\$ 2,659</u>	<u>\$ [318,062]</u>	<u>\$ 12,686</u>

<u>Police Grants</u>	<u>DARE Donations</u>	<u>War Memorial Maintenance</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ 2,280,387
-	-	-	282,468
-	-	-	1,000,042
-	-	-	13,525
21	401	884	207,680
-	4,421	45	42,388
<u>21</u>	<u>4,822</u>	<u>929</u>	<u>3,826,490</u>
-	-	293	913,515
-	-	-	148,107
-	-	-	461,226
-	-	-	684,657
-	-	293	2,207,505
<u>21</u>	<u>4,822</u>	<u>636</u>	<u>1,618,985</u>
-	-	-	23,148
-	-	-	[505,000]
-	-	-	[481,852]
21	4,822	636	1,137,133
-	30,429	33,923	1,445,210
<u>\$ 21</u>	<u>\$ 35,251</u>	<u>\$ 34,559</u>	<u>\$ 2,582,343</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS
 COMBINING BALANCE SHEET
 NONMAJOR PERMANENT FUNDS
 December 31, 2005

ASSETS	Cemetery Endowment	Mausoleum Endowment	Tricentennial Commission	Total
Cash and investments	\$ 303,402	\$ 29,351	\$ 4,873	\$ 337,626
Interest receivable	<u>4,718</u>	<u>456</u>	<u>76</u>	<u>5,250</u>
Total assets	<u>\$ 308,120</u>	<u>\$ 29,807</u>	<u>\$ 4,949</u>	<u>\$ 342,876</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Unreserved				
Undesignated	<u>308,120</u>	<u>29,807</u>	<u>4,949</u>	<u>342,876</u>
Total liabilities and fund balances	<u>\$ 308,120</u>	<u>\$ 29,807</u>	<u>\$ 4,949</u>	<u>\$ 342,876</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
For the Year Ended December 31, 2005

	Cemetery Endowment	Mausoleum Endowment	Tricentennial Commission	Total
Revenues				
Charges for services	\$ 6,924	\$ -	\$ -	\$ 6,924
Investment revenue	7,852	761	126	8,739
Total revenues	<u>14,776</u>	<u>761</u>	<u>126</u>	<u>15,663</u>
Expenditures				
Miscellaneous	35	-	-	35
Total expenditures	<u>35</u>	<u>-</u>	<u>-</u>	<u>35</u>
Net change in fund balance	14,741	761	126	15,628
Fund balances - beginning of year	<u>293,379</u>	<u>29,046</u>	<u>4,823</u>	<u>327,248</u>
Fund balances - end of year	<u>\$ 308,120</u>	<u>\$ 29,807</u>	<u>\$ 4,949</u>	<u>\$ 342,876</u>

See independent auditor's report on the financial statements.

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CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
BUSINESS IMPROVEMENT CITY FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Charges for services				
Community and Economic Development	\$ 87,016	\$ 82,000	\$ 90,000	\$ [2,984]
Interest income				
General interest	117	-	-	117
Total revenues	87,133	82,000	90,000	[2,867]
Expenditures				
Community Development				
Business Improvement District	87,136	82,000	90,014	2,878
Total expenditures	87,136	82,000	90,014	2,878
Excess [deficiency] of revenues over [under] expenditures	[3]	-	[14]	11
Unreserved fund balance, January 1	13	-	14	[1]
Unreserved fund balance, December 31	10	\$ -	\$ -	\$ 10
Reconciliation to GAAP				
Accounts receivable	27,276			
Interest receivable	95			
GAAP Fund Balance, December 31	\$ 27,381			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
NEIGHBORHOOD PARK FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Charges for services				
Public works	\$ 13,525	\$ 20,000	\$ 20,000	\$ [6,475]
Interest income				
General interest	<u>2,331</u>	<u>2,000</u>	<u>2,000</u>	<u>331</u>
Total revenues	<u>15,856</u>	<u>22,000</u>	<u>22,000</u>	<u>[6,144]</u>
Expenditures				
Capital Outlay	39,410	41,500	41,500	2,090
Cash Reserve	<u>-</u>	<u>134,812</u>	<u>134,812</u>	<u>134,812</u>
Total expenditures	<u>39,410</u>	<u>176,312</u>	<u>176,312</u>	<u>136,902</u>
Excess [deficiency] of revenues over [under] expenditures	[23,554]	[154,312]	[154,312]	130,758
Unreserved fund balance, January 1	<u>152,885</u>	<u>154,312</u>	<u>154,312</u>	<u>[1,427]</u>
Unreserved fund balance, December 31	129,331	\$ -	\$ -	\$ 129,331
Reconciliation to GAAP				
Interest receivable	<u>2,023</u>			
GAAP Fund Balance, December 31	<u>\$ 131,354</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
SPECIAL PARKS AND RECREATION FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Operating grants, restricted				
Culture and recreation	\$ 141,235	\$ 140,000	\$ 140,000	\$ 1,235
Interest income				
General interest	<u>1,273</u>	<u>2,000</u>	<u>2,000</u>	<u>[727]</u>
Total revenues	<u>142,508</u>	<u>142,000</u>	<u>142,000</u>	<u>508</u>
Expenditures				
Public works				
Contingency	-	20,000	20,000	20,000
Capital Outlay	101,397	130,000	130,000	28,603
Cash Reserve	<u>-</u>	<u>54,769</u>	<u>54,769</u>	<u>54,769</u>
Total expenditures	<u>101,397</u>	<u>204,769</u>	<u>204,769</u>	<u>103,372</u>
Excess [deficiency] of revenues over [under] expenditures	<u>41,111</u>	<u>[62,769]</u>	<u>[62,769]</u>	<u>103,880</u>
Other financing sources [uses]				
Transfer in	23,148	-	-	23,148
Transfer [out]	<u>[30,000]</u>	<u>-</u>	<u>-</u>	<u>[30,000]</u>
Total other financing sources [uses]	<u>[6,852]</u>	<u>-</u>	<u>-</u>	<u>[6,852]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>34,259</u>	<u>[62,769]</u>	<u>[62,769]</u>	<u>97,028</u>
Unreserved fund balance, January 1	57,731	62,769	62,769	[5,038]
Prior year cancelled encumbrances	<u>2,933</u>	<u>-</u>	<u>-</u>	<u>2,933</u>
Unreserved fund balance, December 31	<u>94,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,923</u>
Reconciliation to GAAP				
Current year encumbrances	797			
Interest receivable	<u>1,488</u>			
GAAP Fund Balance, December 31	<u>\$ 97,208</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
SPECIAL ALCOHOL FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Operating grants, restricted				
Health and sanitation	\$ 141,234	\$ 140,000	\$ 140,000	\$ 1,234
Interest income				
General interest	<u>138</u>	<u>-</u>	<u>-</u>	<u>138</u>
Total revenues	<u>141,372</u>	<u>140,000</u>	<u>140,000</u>	<u>1,372</u>
Expenditures				
Public Health and Sanitation				
Special alcohol	148,107	140,000	150,000	1,893
Cash reserve	<u>-</u>	<u>-</u>	<u>5,385</u>	<u>5,385</u>
Total expenditures	<u>148,107</u>	<u>140,000</u>	<u>155,385</u>	<u>7,278</u>
Excess [deficiency] of revenues over [under] expenditures	[6,735]	-	[15,385]	8,650
Unreserved fund balance, January 1	<u>15,385</u>	<u>-</u>	<u>15,385</u>	<u>-</u>
Unreserved fund balance, December 31	8,650	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,650</u>
Reconciliation to GAAP				
Interest receivable	<u>134</u>			
GAAP Fund Balance, December 31	<u>\$ 8,784</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
SALES TAX CAPITAL FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Taxes				
Selective sales tax	\$ 1,995,338	\$ 2,008,125	\$ 2,008,125	\$ [12,787]
Interest income				
General interest	20,246	14,000	14,000	6,246
Total revenues	<u>2,015,584</u>	<u>2,022,125</u>	<u>2,022,125</u>	<u>[6,541]</u>
Expenditures				
Community Development				
Agency contracts	85,000	-	-	[85,000]
Capital Outlay	718,897	2,022,125	2,022,125	1,303,228
Cash Reserve	-	200,000	200,000	200,000
Total expenditures	<u>803,897</u>	<u>2,222,125</u>	<u>2,222,125</u>	<u>1,418,228</u>
Excess [deficiency] of revenues over [under] expenditures	<u>1,211,687</u>	<u>[200,000]</u>	<u>[200,000]</u>	<u>1,411,687</u>
Other financing sources [uses]				
Transfer [out]	[375,000]	[500,000]	[500,000]	125,000
Total other financing sources [uses]	<u>[375,000]</u>	<u>[500,000]</u>	<u>[500,000]</u>	<u>125,000</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	836,687	[700,000]	[700,000]	1,536,687
Unreserved fund balance, January 1	<u>536,583</u>	<u>700,000</u>	<u>700,000</u>	<u>[163,417]</u>
Unreserved fund balance, December 31	1,373,270	\$ -	\$ -	\$ 1,373,270
Reconciliation to GAAP				
Current year encumbrances	304,504			
Interest receivable	26,204			
GAAP Fund Balance, December 31	<u>\$ 1,703,978</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
SALES TAX ECONOMIC DEVELOPMENT FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Taxes				
Selective sales tax	\$ 285,049	\$ 286,875	\$ 286,875	\$ [1,826]
Interest income				
General interest	<u>3,440</u>	<u>2,000</u>	<u>2,000</u>	<u>1,440</u>
Total revenues	<u>288,489</u>	<u>288,875</u>	<u>288,875</u>	<u>[386]</u>
Expenditures				
Community Development				
Economic development	30,000	338,875	338,875	308,875
Cash Reserve	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Total expenditures	<u>30,000</u>	<u>388,875</u>	<u>388,875</u>	<u>358,875</u>
Excess [deficiency] of revenues over [under] expenditures	258,489	[100,000]	[100,000]	358,489
Unreserved fund balance, January 1	<u>76,697</u>	<u>100,000</u>	<u>100,000</u>	<u>[23,303]</u>
Unreserved fund balance, December 31	335,186	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 335,186</u>
Reconciliation to GAAP				
Interest receivable	<u>5,212</u>			
GAAP Fund Balance, December 31	<u>\$ 340,398</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
FAIR HOUSING FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	<u>[Negative]</u>
Revenues				
Operating grants, restricted				
Community and economic development	\$ 135,802	\$ 65,000	\$ 65,000	\$ 70,802
Interest income				
General interest	3,950	1,000	1,000	2,950
Miscellaneous revenues				
General miscellaneous revenues	<u>404</u>	<u>-</u>	<u>-</u>	<u>404</u>
Total revenues	<u>140,156</u>	<u>66,000</u>	<u>66,000</u>	<u>74,156</u>
Expenditures				
Community Development				
Human relations	123,744	129,000	129,000	5,256
Capital Outlay	-	1,000	1,000	1,000
Cash Reserve	<u>-</u>	<u>98,891</u>	<u>98,891</u>	<u>98,891</u>
Total expenditures	<u>123,744</u>	<u>228,891</u>	<u>228,891</u>	<u>105,147</u>
Excess [deficiency] of revenues over [under] expenditures	16,412	[162,891]	[162,891]	179,303
Unreserved fund balance, January 1	<u>202,668</u>	<u>162,891</u>	<u>162,891</u>	<u>39,777</u>
Unreserved fund balance, December 31	219,080	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,080</u>
Reconciliation to GAAP				
Interest receivable	<u>3,424</u>			
GAAP Fund Balance, December 31	<u>\$ 222,504</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
DEBT SERVICE FUND

For the Year Ended December 31, 2005

		<u>Budgeted Amounts</u>		Variance with
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Taxes				
Real estate taxes	\$ 1,296,877	\$ 1,305,507	\$ 1,305,507	\$ [8,630]
Delinquent taxes	38,274	40,000	40,000	[1,726]
Motor vehicle taxes	142,960	163,509	163,509	[20,549]
Total taxes	<u>1,478,111</u>	<u>1,509,016</u>	<u>1,509,016</u>	<u>[30,905]</u>
Charges for services				
Special assessments	1,142,502	1,229,077	1,229,077	[86,575]
Interest income				
General interest	31,034	20,000	20,000	11,034
Miscellaneous revenues				
General miscellaneous revenues	9,685	-	-	9,685
Other financing sources				
General sources	<u>5,447</u>	<u>-</u>	<u>-</u>	<u>5,447</u>
Total revenues	<u>2,666,779</u>	<u>2,758,093</u>	<u>2,758,093</u>	<u>[91,314]</u>
Expenditures				
Debt Service				
Principal	2,338,640	2,953,334	2,953,334	614,694
Interest and other charges	687,701	734,653	734,653	46,952
Cash Reserve	-	788,868	788,868	788,868
Total expenditures	<u>3,026,341</u>	<u>4,476,855</u>	<u>4,476,855</u>	<u>1,450,514</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[359,562]</u>	<u>[1,718,762]</u>	<u>[1,718,762]</u>	<u>1,359,200</u>
Other financing sources [uses]				
Transfer in	<u>276,216</u>	<u>500,000</u>	<u>500,000</u>	<u>[223,784]</u>
Total other financing sources [uses]	<u>276,216</u>	<u>500,000</u>	<u>500,000</u>	<u>[223,784]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[83,346]</u>	<u>[1,218,762]</u>	<u>[1,218,762]</u>	<u>1,135,416</u>
Unreserved fund balance, January 1	<u>1,309,321</u>	<u>1,218,762</u>	<u>1,218,762</u>	<u>90,559</u>
Unreserved fund balance, December 31	1,225,975	\$ -	\$ -	\$ 1,225,975
Reconciliation to GAAP				
Taxes receivable, net	53,657			
Interest receivable	<u>19,063</u>			
GAAP Fund Balance, December 31	<u>\$ 1,298,695</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL (NON - GAAP BASIS)
SOLID WASTE DISPOSAL FUND
For the Year Ended December 31, 2005

		<u>Budgeted Amounts</u>		Variance with
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Charges for services				
Health and sanitation	\$ 1,943,164	\$ 1,943,000	\$ 1,943,000	\$ 164
Interest income				
General interest	45,103	20,000	20,000	25,103
Interfund services provided				
Health and sanitation	395,678	410,000	410,000	[14,322]
Miscellaneous revenues				
Health and sanitation	<u>22,337</u>	<u>20,000</u>	<u>20,000</u>	<u>2,337</u>
Total revenues	<u>2,406,282</u>	<u>2,393,000</u>	<u>2,393,000</u>	<u>13,282</u>
Expenditures				
Public Health and Sanitation				
Solid waste	1,472,720	1,731,719	1,731,719	258,999
Hazardous waste disposal	<u>83,729</u>	<u>90,186</u>	<u>90,186</u>	<u>6,457</u>
Total public health and sanitation	<u>1,556,449</u>	<u>1,821,905</u>	<u>1,821,905</u>	<u>265,456</u>
Debt Service				
Principal	446,990	487,532	487,532	40,542
Interest	<u>159,271</u>	<u>111,250</u>	<u>111,250</u>	<u>[48,021]</u>
Total debt service	<u>606,261</u>	<u>598,782</u>	<u>598,782</u>	<u>[7,479]</u>
Capital Outlay	47,644	157,100	157,100	109,456
Cash Reserve	<u>-</u>	<u>2,323,631</u>	<u>2,323,631</u>	<u>2,323,631</u>
Total expenditures	<u>2,210,354</u>	<u>4,901,418</u>	<u>4,901,418</u>	<u>2,691,064</u>
Excess [deficiency] of revenues over [under] expenditures	195,928	[2,508,418]	[2,508,418]	2,704,346
Other financing sources [uses]				
Transfer [out]	<u>[118,068]</u>	<u>2,508,418</u>	<u>2,508,418</u>	<u>[2,626,486]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	77,860	-	-	77,860
Unreserved fund balances, January 1	2,334,225	-	-	2,334,225
Prior year cancelled encumbrances	<u>29,186</u>	<u>-</u>	<u>-</u>	<u>29,186</u>
Unreserved fund balances, December 31	<u>\$ 2,441,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,441,271</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL (NON - GAAP BASIS)
WATER AND SEWER FUND

For the Year Ended December 31, 2005

		<u>Budgeted Amounts</u>		Variance with
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Charges for services				
Water and wastewater	\$ 12,147,507	\$ 12,575,000	\$ 12,575,000	\$ [427,493]
Interest income				
General interest	111,965	100,000	100,000	11,965
Interfund services provided				
General services	25,516	25,000	25,000	516
Water and wastewater	277,680	61,200	61,200	216,480
Total interfund services	303,196	86,200	86,200	216,996
Miscellaneous revenues				
General miscellaneous revenues	80	-	-	80
Water and wastewater	294,287	305,000	305,000	[10,713]
Total miscellaneous revenues	294,367	305,000	305,000	[10,633]
Total revenues	12,857,035	13,066,200	13,066,200	[209,165]
Expenditures				
Water and Wastewater				
Water	6,961,228	7,462,941	7,462,941	501,713
Sewer	2,448,746	2,631,681	2,631,681	182,935
Total water and wastewater	9,409,974	10,094,622	10,094,622	684,648
Capital Outlay	1,973,561	1,956,400	1,956,400	[17,161]
Debt Service				
Interest and other	5	1,000	1,000	995
Cash Reserve	-	4,415,431	4,415,431	4,415,431
Total expenditures	11,383,540	16,467,453	16,467,453	5,083,913
Excess [deficiency] of revenues over [under] expenditures	1,473,495	[3,401,253]	[3,401,253]	4,874,748
Other financing sources [uses]				
Transfers in	-	235,000	235,000	[235,000]
Transfers [out]	[2,213,215]	[2,508,767]	[2,508,767]	295,552
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	[739,720]	[5,675,020]	[5,675,020]	4,935,300
Unreserved fund balances, January 1	6,089,126	5,675,020	5,675,020	414,106
Prior year cancelled encumbrances	8,685	-	-	8,685
Unreserved fund balances, December 31	\$ 5,358,091	\$ -	\$ -	\$ 5,358,091

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL (NON - GAAP BASIS)
SANITATION FUND

For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Charges for services				
Health and sanitation	\$ 1,890,165	\$ 1,865,000	\$ 1,865,000	\$ 25,165
Interest income				
General interest	9,238	7,000	7,000	2,238
Miscellaneous revenues				
Health and sanitation	<u>15</u>	<u>-</u>	<u>-</u>	<u>15</u>
Total revenues	<u>1,899,418</u>	<u>1,872,000</u>	<u>1,872,000</u>	<u>27,418</u>
Expenditures				
Public Health and Sanitation				
Sanitation	1,772,265	1,773,448	1,773,448	1,183
Capital Outlay	126,675	144,325	144,325	17,650
Cash Reserve	<u>-</u>	<u>419,837</u>	<u>419,837</u>	<u>419,837</u>
Total expenditures	<u>1,898,940</u>	<u>2,337,610</u>	<u>2,337,610</u>	<u>438,670</u>
Excess [deficiency] of revenues over [under] expenditures	478	[465,610]	[465,610]	466,088
Unreserved fund balance, January 1	<u>464,468</u>	<u>465,610</u>	<u>465,610</u>	<u>[1,142]</u>
Unreserved fund balances, December 31	<u>\$ 464,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,946</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL (NON - GAAP BASIS)
GOLF COURSE DIVISION FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Taxes				
General sales tax	\$ 798,988	\$ 792,300	\$ 792,300	\$ 6,688
Charges for services				
Culture and recreation	-	30,000	30,000	[30,000]
Interest income				
General interest	2,195	3,000	3,000	[805]
Miscellaneous revenues				
General miscellaneous revenues	618	-	-	618
Culture and recreation	28,986	-	-	28,986
Total miscellaneous revenues	29,604	-	-	29,604
Total revenues	830,787	825,300	825,300	5,487
Expenditures				
Culture and Recreation				
Golf course	786,681	779,313	779,313	[7,368]
Debt Service				
Principal	13,650	14,736	14,736	1,086
Interest	1,086	2,111	2,111	1,025
Total debt service	14,736	16,847	16,847	2,111
Capital Outlay	67,973	47,000	47,000	[20,973]
Cash Reserve	-	112,527	112,527	112,527
Total expenditures	869,390	955,687	955,687	86,297
Excess [deficiency] of revenues over [under] expenditures	[38,603]	[130,387]	[130,387]	91,784
Unreserved fund balances, January 1	138,730	130,387	130,387	8,343
Unreserved fund balances, December 31	\$ 100,127	\$ -	\$ -	\$ 100,127

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
RISK MANAGEMENT FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Interest income				
General interest	\$ 11	\$ 2,000	\$ 2,000	\$ [1,989]
Interfund services provided				
General services	395,599	289,701	289,701	105,898
Miscellaneous revenues				
General miscellaneous revenues	<u>13,438</u>	<u>40,000</u>	<u>40,000</u>	<u>[26,562]</u>
Total revenues	<u>409,048</u>	<u>331,701</u>	<u>331,701</u>	<u>77,347</u>
Expenditures				
Other				
Risk management	370,697	376,101	376,101	5,404
Capital Outlay	-	1,500	1,500	1,500
Cash Reserve	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Total expenditures	<u>370,697</u>	<u>427,601</u>	<u>427,601</u>	<u>56,904</u>
Excess [deficiency] of revenues over [under] expenditures	38,351	[95,900]	[95,900]	134,251
Unreserved fund balance, January 1	<u>1,251</u>	<u>95,900</u>	<u>95,900</u>	<u>[94,649]</u>
Unreserved fund balance, December 31	<u>\$ 39,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,602</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
WORKERS' COMPENSATION FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Interest income				
General interest	\$ 7,942	\$ 20,000	\$ 20,000	\$ [12,058]
Interfund services provided				
General services	<u>344,664</u>	<u>344,000</u>	<u>344,000</u>	<u>664</u>
Total revenues	<u>352,606</u>	<u>364,000</u>	<u>364,000</u>	<u>[11,394]</u>
Expenditures				
Other				
Worker's compensation	424,428	505,000	505,000	80,572
Cash Reserve	<u>-</u>	<u>517,835</u>	<u>517,835</u>	<u>517,835</u>
Total expenditures	<u>424,428</u>	<u>1,022,835</u>	<u>1,022,835</u>	<u>598,407</u>
Excess [deficiency] of revenues over [under] expenditures	[71,822]	[658,835]	[658,835]	587,013
Unreserved fund balance, January 1	<u>506,151</u>	<u>658,835</u>	<u>658,835</u>	<u>[152,684]</u>
Unreserved fund balance, December 31	<u>\$ 434,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 434,329</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
HEALTH INSURANCE FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Interest income				
General interest	\$ 15,436	\$ 5,000	\$ 5,000	\$ 10,436
Interfund Services Provided				
General services	4,989,712	5,000,000	5,000,000	[10,288]
Miscellaneous revenues				
General miscellaneous revenues	<u>40,451</u>	<u>10,000</u>	<u>10,000</u>	<u>30,451</u>
Total revenues	<u>5,045,599</u>	<u>5,015,000</u>	<u>5,015,000</u>	<u>30,599</u>
Expenditures				
Other				
Health insurance	4,492,432	4,872,500	4,872,500	380,068
Cash Reserve	<u>-</u>	<u>477,248</u>	<u>477,248</u>	<u>477,248</u>
Total expenditures	<u>4,492,432</u>	<u>5,349,748</u>	<u>5,349,748</u>	<u>857,316</u>
Excess [deficiency] of revenues over [under] expenditures	553,167	[334,748]	[334,748]	887,915
Unreserved fund balance, January 1	<u>690,491</u>	<u>334,748</u>	<u>334,748</u>	<u>355,743</u>
Unreserved fund balance, December 31	<u>\$ 1,243,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,243,658</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
CENTRAL GARAGE FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Interest income				
General interest	\$ 2,234	\$ 1,500	\$ 1,500	\$ 734
Interfund services provided				
General services	1,191,207	1,054,000	1,054,000	137,207
Miscellaneous revenues				
General miscellaneous revenues	<u>4,246</u>	<u>2,998</u>	<u>2,998</u>	<u>1,248</u>
Total revenues	<u>1,197,687</u>	<u>1,058,498</u>	<u>1,058,498</u>	<u>139,189</u>
Expenditures				
Other				
Central garage	1,281,445	1,155,902	1,155,902	[125,543]
Capital Outlay	680	450	450	[230]
Cash Reserve	<u>-</u>	<u>108,266</u>	<u>108,266</u>	<u>108,266</u>
Total expenditures	<u>1,282,125</u>	<u>1,264,618</u>	<u>1,264,618</u>	<u>[17,507]</u>
Excess [deficiency] of revenues over [under] expenditures	[84,438]	[206,120]	[206,120]	121,682
Other financing sources [uses]				
Transfers in	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing [uses]	[4,438]	[126,120]	[126,120]	121,682
Unreserved fund balance, January 1	<u>102,362</u>	<u>126,120</u>	<u>126,120</u>	<u>[23,758]</u>
Unreserved fund balance, December 31	<u>\$ 97,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,924</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
COMPUTER TECHNOLOGY FUND
For the Year Ended December 31, 2005

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Variance with Final Budget Positive [Negative]</u>
		<u>Original</u>	<u>Final</u>	
Revenues				
Charges for services				
General charges	\$ 103,546	\$ 106,000	\$ 106,000	\$ [2,454]
Interest income				
General interest	8,043	6,000	6,000	2,043
Interfund services provided				
General services	795,500	790,000	790,000	5,500
Miscellaneous revenues				
General miscellaneous revenues	-	2,250	2,250	[2,250]
Total revenues	<u>907,089</u>	<u>904,250</u>	<u>904,250</u>	<u>2,839</u>
Expenditures				
Other				
Information services	730,425	753,001	753,001	22,576
Capital Outlay	461,228	461,000	461,000	[228]
Cash Reserve	-	117,305	117,305	117,305
Total expenditures	<u>1,191,653</u>	<u>1,331,306</u>	<u>1,331,306</u>	<u>139,653</u>
Excess [deficiency] of revenues over [under] expenditures	[284,564]	[427,056]	[427,056]	142,492
Other financing sources [uses]				
Transfers in	-	427,056	427,056	[427,056]
Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing [uses]	[284,564]	-	-	[284,564]
Unreserved fund balance, January 1	<u>602,173</u>	-	-	<u>602,173</u>
Unreserved fund balance, December 31	<u>\$ 317,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,609</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS
INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one agency to other departments or agencies of the government and to other governmental units on a cost reimbursement basis.

Risk management fund - To account for the accumulation and allocation of costs associated with risk management activities and the purchase of various forms of insurance.

Workers' compensation reserve fund - To account for the costs of providing a partially self-insured workers' compensation plan and for accumulating the necessary reserve amounts.

Health insurance fund - To account for the costs of providing a partially self-insured health insurance and for accumulating the necessary reserve amounts.

Central garage fund - To account for the accumulation and allocation for costs associated with the City's centralized vehicle repair shop.

Information services fund - To account for the accumulation and allocation of costs associated with electronic data processing.

CITY OF SALINA, KANSAS
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 December 31, 2005

	Risk Management	Workers' Compensation Reserve	Health Insurance	Central Garage	Information Systems	Total Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	\$ 49,349	\$ 563,353	\$ 1,243,826	\$ 145,386	\$ 360,965	\$ 2,362,879
Interest receivable	767	8,760	19,341	2,261	5,613	36,742
Inventory and prepaid supplies	-	-	-	109,435	-	109,435
Total current assets	<u>50,116</u>	<u>572,113</u>	<u>1,263,167</u>	<u>257,082</u>	<u>366,578</u>	<u>2,509,056</u>
Capital assets:						
Capital assets	-	-	-	143,547	633,845	777,392
Less: accumulated depreciation	-	-	-	94,384	454,211	548,595
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,163</u>	<u>179,634</u>	<u>228,797</u>
Total assets	<u>\$ 50,116</u>	<u>\$ 572,113</u>	<u>\$ 1,263,167</u>	<u>\$ 306,245</u>	<u>\$ 546,212</u>	<u>\$ 2,737,853</u>
Liabilities:						
Current liabilities (payable from current assets):						
Accounts payable	\$ 9,746	\$ 38	\$ 169	\$ 46,140	\$ 23,377	\$ 79,470
Current portion of compensated absences payable	-	-	-	21,294	38,730	60,024
Current portion of accrued claims payable	-	10,934	324,738	-	-	335,672
Total current liabilities (payable from current assets)	<u>9,746</u>	<u>10,972</u>	<u>324,907</u>	<u>67,434</u>	<u>62,107</u>	<u>475,166</u>
Noncurrent liabilities:						
Accrued claims payable	-	242,557	-	-	-	242,557
Total noncurrent liabilities	<u>-</u>	<u>242,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,557</u>
Total liabilities	<u>\$ 9,746</u>	<u>\$ 253,529</u>	<u>\$ 324,907</u>	<u>\$ 67,434</u>	<u>\$ 62,107</u>	<u>\$ 717,723</u>
Net Assets						
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ 49,163	\$ 179,634	\$ 228,797
Unrestricted	<u>40,370</u>	<u>318,584</u>	<u>938,260</u>	<u>189,648</u>	<u>304,471</u>	<u>1,791,333</u>
Total net assets	<u>\$ 40,370</u>	<u>\$ 318,584</u>	<u>\$ 938,260</u>	<u>\$ 238,811</u>	<u>\$ 484,105</u>	<u>\$ 2,020,130</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS
 INTERNAL SERVICE FUND
 For the Year Ended December 31, 2005

	Risk Management	Workers' Compensation Reserve	Health Insurance	Central Garage	Information Systems	Total Internal Service Funds
Operating revenues						
Charges for services	\$ 395,600	\$ 344,663	\$ 4,989,712	\$ 1,191,209	\$ 899,046	\$ 7,820,230
Miscellaneous	13,438	-	40,451	4,246	-	58,135
Total operating revenues	<u>409,038</u>	<u>344,663</u>	<u>5,030,163</u>	<u>1,195,455</u>	<u>899,046</u>	<u>7,878,365</u>
Operating expenses						
General government	370,697	340,709	4,515,239	1,241,570	1,032,653	7,500,868
Depreciation	-	-	-	9,443	60,620	70,063
Total operating expenses	<u>370,697</u>	<u>340,709</u>	<u>4,515,239</u>	<u>1,251,013</u>	<u>1,093,273</u>	<u>7,570,931</u>
Operating income [loss]	<u>38,341</u>	<u>3,954</u>	<u>514,924</u>	<u>[55,558]</u>	<u>[194,227]</u>	<u>307,434</u>
Other operating revenues [expenses]						
Investment income	727	13,000	30,752	3,693	9,811	57,983
Transfers in	-	-	-	80,000	-	80,000
Total other operating revenues [expenses]	<u>727</u>	<u>13,000</u>	<u>30,752</u>	<u>83,693</u>	<u>9,811</u>	<u>137,983</u>
Change in net assets	<u>39,068</u>	<u>16,954</u>	<u>545,676</u>	<u>28,135</u>	<u>[184,416]</u>	<u>445,417</u>
Net assets, January 1	1,302	301,630	392,584	210,676	653,833	1,560,025
Prior period adjustment	-	-	-	-	14,688	14,688
Net assets, January 1, restatement	<u>1,302</u>	<u>301,630</u>	<u>392,584</u>	<u>210,676</u>	<u>668,521</u>	<u>1,574,713</u>
Net assets, December 31	<u>\$ 40,370</u>	<u>\$ 318,584</u>	<u>\$ 938,260</u>	<u>\$ 238,811</u>	<u>\$ 484,105</u>	<u>\$ 2,020,130</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For the Year Ended December 31, 2005

	Risk Management	Workers' Compensation Reserve	Health Insurance	Central Garage	Information Services	Total Internal Service Funds
Cash flows from operating activities						
Cash received from customers and users	\$ 395,600	\$ 260,945	\$ 5,012,518	\$ 1,191,209	\$ 899,046	\$ 7,759,318
Cash paid to suppliers of goods or services	[368,495]	[340,671]	[4,515,103]	[1,093,677]	[682,547]	[7,000,493]
Cash paid to employees	-	-	-	[176,233]	[334,088]	[510,301]
Other operating receipts	13,438	-	40,451	4,246	-	58,135
Net cash provided by [used in] operating activities	40,543	[79,726]	537,866	[74,455]	[117,569]	306,659
Cash flows from capital and related financing activities						
Purchase of capital assets	-	-	-	-	[189,124]	[189,124]
Net cash provided by [used in] capital and related financing activities	-	-	-	-	[189,124]	[189,124]
Cash flows from investing activities						
Interest received	11	7,942	15,436	2,233	8,043	33,665
Cash flows from noncapital financing activities						
Transfers in	-	-	-	80,000	-	80,000
Net increase [decrease] in cash and cash equivalents	40,554	[71,784]	553,302	7,778	[298,650]	231,200
Cash and cash equivalents, January 1	8,795	635,137	690,524	137,608	659,615	2,131,679
Cash and cash equivalents, December 31	\$ 49,349	\$ 563,353	\$ 1,243,826	\$ 145,386	\$ 360,965	\$ 2,362,879

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2005

	<u>Risk Management</u>	<u>Workers' Compensation Reserve</u>	<u>Health Insurance</u>	<u>Central Garage</u>	<u>Information Services</u>	<u>Total Internal Service Funds</u>
Reconciliation of operating [loss] income to net cash provided by [used in] operating activities						
Operating income [loss]	\$ 38,341	\$ 3,954	\$ 514,924	\$ [55,558]	\$ [194,227]	\$ 307,434
Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities						
Depreciation expense	-	-	-	9,443	60,620	70,063
[Increase] decrease in inventory	-	-	-	[40,765]	-	[40,765]
Increase [decrease] in accounts payable	2,202	38	136	10,895	9,937	23,208
Increase [decrease] in accrued compensated absences	-	-	-	1,530	6,101	7,631
Increase [decrease] in claims payable	-	[83,718]	22,806	-	-	[60,912]
Net cash provided by [used in] operating activities	<u>\$ 40,543</u>	<u>\$ [79,726]</u>	<u>\$ 537,866</u>	<u>\$ [74,455]</u>	<u>\$ [117,569]</u>	<u>\$ 306,659</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

AGENCY FUNDS

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Special assessment escrow agency fund - To account for property owners' prepayment on outstanding special assessments.

Fire insurance proceeds agency fund - To account for insurance proceeds received for severely damaged buildings the insurance proceeds, plus interest, are returned to the property owners when the buildings are repaired or demolished.

Prescott house escrow fund – To account for revenues received to rehabilitate the house to minimum housing standards. The revenue is returned to the owner as the building is repaired.

PEGS access agency fund - To account for revenues collected on behalf of the community access television system for public, educational and governmental programming.

Payroll clearing agency fund - To account for interfund payroll receivables and payables for all City funds.

Court bond and restitution agency fund - To account for bonds and restitution remitted to the court and awaiting court orders for distribution.

Police investigation account agency fund - To account for monies held by the police department for use in investigations.

Fire cam agency fund - To account for donations received and used for fire equipment.

Section 125 plan agency fund - To account for monies held for the Section 125 plan.

CITY OF SALINA, KANSAS
 COMBINING BALANCE SHEET
 AGENCY FUNDS
 December 31, 2005

	Special Assessment Escrow	Fire Insurance Proceeds	Prescott House Escrow	PEGS Access	Payroll Clearing	Court Bond and Restitution	Police Investigation Account	Fire Cam	Section 125 Plan	Totals
ASSETS:										
Cash and investments	\$ 241,953	\$ 22,768	\$ -	\$ 2,232	\$ 38,475	\$ 80,891	\$ 2,168	\$ 603	\$ 19,958	\$ 409,048
Interest receivable	<u>3,762</u>	<u>354</u>	<u>-</u>	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,151</u>
Total assets	<u>\$ 245,715</u>	<u>\$ 23,122</u>	<u>\$ -</u>	<u>\$ 2,267</u>	<u>\$ 38,475</u>	<u>\$ 80,891</u>	<u>\$ 2,168</u>	<u>\$ 603</u>	<u>\$ 19,958</u>	<u>\$ 413,199</u>
LIABILITIES:										
Accounts payable	<u>\$ 245,715</u>	<u>\$ 23,122</u>	<u>\$ -</u>	<u>\$ 2,267</u>	<u>\$ 38,475</u>	<u>\$ 80,891</u>	<u>\$ 2,168</u>	<u>\$ 603</u>	<u>\$ 19,958</u>	<u>\$ 413,199</u>
Total liabilities	<u>\$ 245,715</u>	<u>\$ 23,122</u>	<u>\$ -</u>	<u>\$ 2,267</u>	<u>\$ 38,475</u>	<u>\$ 80,891</u>	<u>\$ 2,168</u>	<u>\$ 603</u>	<u>\$ 19,958</u>	<u>\$ 413,199</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Year Ended December 31, 2005

	Balance December 31, 2004	Additions	Deductions	Balance December 31, 2005
Cash and investments				
Special Assessment Escrow	\$ 285,923	\$ 19,248	\$ 63,218	\$ 241,953
Fire Insurance Proceeds	5,916	22,694	5,842	22,768
Prescott House Escrow	-	75,553	75,553	-
PEGS Access	1,915	191,415	191,098	2,232
Payroll Clearing	306	38,169	-	38,475
Court Bond and Restitution	54,375	26,516	-	80,891
Police Investigation Account	2,252	-	84	2,168
Fire Cam Fund	-	10,103	9,500	603
Section 125 Plan Fund	20,347	286,225	286,614	19,958
Interest receivable				
Special Assessment Escrow	1,667	2,095	-	3,762
Fire Insurance Proceeds	34	320	-	354
PEGS Access	11	24	-	35
Total Assets	<u>\$ 372,746</u>	<u>\$ 672,362</u>	<u>\$ 631,909</u>	<u>\$ 413,199</u>
Accounts Payable				
Special Assessment Escrow	\$ 287,590	\$ 21,343	\$ 63,218	\$ 245,715
Fire Insurance Proceeds	5,950	23,014	5,842	23,122
Prescott House Escrow	-	75,553	75,553	-
PEGS Access	1,926	191,439	191,098	2,267
Payroll Clearing	306	38,169	-	38,475
Court Bond and Restitution	54,375	26,516	-	80,891
Police Investigation Account	2,252	-	84	2,168
Fire Cam Fund	-	10,103	9,500	603
Section 125 Plan Fund	20,347	286,225	286,614	19,958
Total liabilities	<u>\$ 372,746</u>	<u>\$ 672,362</u>	<u>\$ 631,909</u>	<u>\$ 413,199</u>

See independent auditor's report on the financial statements.

STATISTICAL SECTION

	Fiscal Year					
	2003		2004		2005	
	Amount	%	Amount	%	Amount	%
Governmental Activities						
Invested in capital assets, net of related debt	\$ 82,312,099	86%	\$ 92,947,502	92%	\$ 110,183,985	92%
Restricted	\$ 1,584,330	2%	\$ 1,317,062	1%	\$ 1,641,571	1%
Unrestricted	\$ 11,741,827	12%	\$ 7,056,761	7%	\$ 7,422,017	6%
Total Governmental Net Assets	\$ 95,638,256	100%	\$ 101,321,325	100%	\$ 119,247,573	100%
Business Type Activities						
Invested in capital assets, net of related debt	\$ 36,598,724	76%	\$ 38,559,750	77%	\$ 40,967,562	79%
Restricted		0%	\$ 1,405,822	3%	\$ 1,108,545	2%
Unrestricted	\$ 11,709,549	24%	\$ 9,837,000	20%	\$ 9,820,801	19%
Total business type activities net assets	\$ 48,308,273	100%	\$ 49,802,572	100%	\$ 51,896,908	100%
Primary Government						
Invested in capital assets, net of related debt	\$ 118,910,823	83%	\$ 131,507,252	87%	\$ 151,151,547	88%
Restricted	\$ 1,584,330	1%	\$ 2,722,884	2%	\$ 2,750,116	2%
Unrestricted	\$ 23,451,376	16%	\$ 16,893,761	11%	\$ 17,242,818	10%
Total primary government net assets	\$ 143,946,529	100%	\$ 151,123,897	100%	\$ 171,144,481	100%

Source: City of Salina Comprehensive Annual Financial Reports, 2003 - 2006

Schedule 2
City of Salina, Kansas
Changes in Net Assets, Last Three Fiscal Years
Last Three Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental Activities:			
General government	\$ 6,766,884	\$ 4,930,556	\$ 4,904,066
Public safety	\$ 12,636,082	\$ 13,548,289	\$ 14,158,775
Public works	\$ 7,895,823	\$ 7,958,468	\$ 8,420,158
Public health and sanitation	\$ 905,985	\$ 1,015,567	\$ 1,101,947
Culture and recreation	\$ 4,657,241	\$ 4,783,566	\$ 5,070,889
Planning and development	\$ 4,507,430	\$ 4,130,445	\$ 2,714,496
Interest on long term debt	\$ 1,085,064	\$ 785,542	\$ 741,615
Total governmental activities expenses	\$ 38,454,509	\$ 37,152,433	\$ 37,111,946
Business-type Activities:			
Solid waste disposal	\$ 2,366,654	\$ 2,817,733	\$ 2,608,162
Water and sewer	\$ 11,571,751	\$ 11,552,362	\$ 11,261,714
Sanitation	\$ 1,682,352	\$ 1,920,239	\$ 1,889,190
Golf course	\$ 786,305	\$ 817,060	\$ 892,715
Total business-type activities expenses	\$ 16,407,062	\$ 17,107,394	\$ 16,651,781
Total primary government expenses	\$ 54,861,571	\$ 54,259,827	\$ 53,763,727
Program Revenues			
Governmental Activities			
Charges for services:			
General government	\$ 3,471,525	\$ 3,711,600	\$ 3,925,594
Public safety	\$ 2,672,120	\$ 2,770,189	\$ 3,368,313
Public works	\$ 159,988	\$ 155,428	\$ 163,108
Public health and sanitation	\$ -	\$ 34,880	\$ 30,979
Culture and recreation	\$ 2,030,686	\$ 2,072,678	\$ 2,275,594
Planning and development	\$ 92,922	\$ 198,298	\$ 95,465
Operating grants and contributions	\$ 2,751,185	\$ 3,197,048	\$ 2,798,032
Capital grants and contributions	\$ -	\$ -	\$ 13,875,068
Total governmental program revenues	\$ 11,178,426	\$ 12,140,121	\$ 26,532,153
Business-type activities:			
Charges for services:			
Solid waste disposal	\$ 2,361,451	\$ 2,488,760	\$ 2,343,861
Water and sewer	\$ 12,129,440	\$ 12,361,877	\$ 12,703,953
Sanitation	\$ 1,794,528	\$ 1,814,256	\$ 1,880,757
Golf course	\$ 772,868	\$ 790,925	\$ 798,966
Operating grants and contributions	\$ -	\$ 368,374	\$ -
Capital grants and contributions	\$ -	\$ -	\$ -
Total business type program revenues	\$ 17,058,287	\$ 17,824,192	\$ 17,727,537
Total primary government program revenues	\$ 28,236,713	\$ 29,964,313	\$ 44,259,690
Net (Expense) Revenue			
Governmental Activities	\$ (27,276,083)	\$ (25,012,312)	\$ (10,579,793)
Business-type activities	\$ 651,225	\$ 716,798	\$ 1,075,756
Total primary government net expense	\$ (26,624,858)	\$ (24,295,514)	\$ (9,504,037)
General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Taxes			
Property Taxes, General Purpose	\$ 5,862,150	\$ 6,576,194	\$ 6,765,502
Property Taxes, Debt Service	\$ 1,732,183	\$ 1,328,799	\$ 1,351,421
Motor Vehicle Tax	\$ 1,208,225	\$ 1,056,735	\$ 1,079,262
Sales Tax, General Purpose	\$ 9,913,121	\$ 10,500,582	\$ 10,555,924
Selective Sales Tax	\$ 2,113,593	\$ 2,264,206	\$ 2,280,387
Other taxes	\$ 3,344,866	\$ 3,425,772	\$ 3,557,109
Special Assessments	\$ 1,447,699		
Investment revenues	\$ 331,161	\$ 390,462	\$ 544,247
Miscellaneous	\$ 1,442,364	\$ 1,084,469	\$ 1,208,580
Transfers, net	\$ 79,661	\$ 23,556	\$ 114,019
Total governmental activities	\$ 27,475,023	\$ 26,650,775	\$ 27,456,451
Business-type activities:			
Investment revenues	\$ 100,963	\$ 221,709	\$ 327,728
Miscellaneous	\$ 165,120	\$ 93,230	\$ 150,321
Transfers, net	\$ (79,661)	\$ (23,556)	\$ (114,019)
Total business-type activities	\$ 186,422	\$ 291,383	\$ 364,030
Total primary government	\$ 27,661,445	\$ 26,942,158	\$ 27,820,481
Change in Net Assets			
Governmental activities	\$ 198,940	\$ 1,638,463	\$ 16,876,658
Business-type activities	\$ 837,647	\$ 1,008,181	\$ 1,439,786
Total primary government	\$ 1,036,587	\$ 2,646,644	\$ 18,316,444

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003

Source: City of Salina Comprehensive Annual Financial Reports, 2003 - 2006

Schedule 3
City of Salina, Kansas
Fund Balances, Governmental Funds
Last Three Fiscal Years
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund			
Reserved	\$ 308,721	\$ 160,350	\$ 421,156
Unreserved	<u>\$ 6,466,822</u>	<u>\$ 7,150,953</u>	<u>\$ 6,645,803</u>
Total General Fund	<u>\$ 6,775,543</u>	<u>\$ 7,311,303</u>	<u>\$ 7,066,959</u>
All other Governmental Funds			
Reserved	\$ 2,095,849	\$ 2,610,320	\$ 2,368,602
Unreserved. Reported in:			
Special Revenue Funds	\$ 3,244,359	\$ 3,917,489	\$ 4,140,018
Capital projects funds	\$ 1,968,471	\$ (7,203,469)	\$ (4,327,154)
Permanent Funds	\$ 315,190	\$ 327,248	\$ 342,876
Debt service funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total all other governmental funds	<u>\$ 7,623,869</u>	<u>\$ (348,412)</u>	<u>\$ 2,524,342</u>

Information for years prior to 2003 is not available in comparable format.

Source: City of Salina Comprehensive Annual Financial Reports, 2003 - 2006

Schedule 4
City of Salina, Kansas
Changes in Fund Balances, Governmental Funds
Last Three Fiscal Years
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues			
Taxes (see Schedule 5)	\$ 24,174,138	\$ 25,152,288	\$ 25,589,605
Intergovernmental	\$ 2,731,239	\$ 5,659,099	\$ 2,784,507
Special Assessments	\$ 1,447,699	\$ 1,340,256	\$ 1,142,502
Licenses and permits	\$ 19,946	\$ 18,400	\$ 13,525
Charges for services	\$ 6,145,703	\$ 6,364,309	\$ 7,225,148
Investment revenue	\$ 321,666	\$ 362,349	\$ 486,264
Reimbursements	\$ 52,278	\$ 465,128	\$ 649,756
Miscellaneous	\$ 1,207,770	\$ 508,501	\$ 500,689
Total revenues	<u>\$ 36,100,439</u>	<u>\$ 39,870,330</u>	<u>\$ 38,391,996</u>
Expenditures			
General Government	\$ 2,207,771	\$ 2,685,087	\$ 2,706,392
Public Safety	\$ 12,208,169	\$ 12,724,158	\$ 13,673,447
Public Works	\$ 5,106,288	\$ 5,156,829	\$ 5,508,372
Public Health and Sanitation	\$ 882,206	\$ 981,105	\$ 1,066,963
Culture and Recreation	\$ 4,355,318	\$ 4,469,916	\$ 4,776,014
Planning and Development	\$ 4,404,804	\$ 4,024,939	\$ 2,606,957
Miscellaneous	\$ 19,898	\$ 35	\$ 35
Capital Outlay	\$ 5,164,829	\$ 10,823,869	\$ 8,580,155
Debt Service			
Principal	\$ 7,178,833	\$ 2,611,317	\$ 2,534,349
Interest	\$ 1,062,840	\$ 866,193	\$ 754,921
Total Expenditures	<u>\$ 42,590,956</u>	<u>\$ 44,343,448</u>	<u>\$ 42,207,605</u>
Other financing sources (uses)			
Bonds and Notes issued	\$ 8,600,000	\$ 6,706,947	\$ 4,210,000
Transfers in	\$ 599,661	\$ 1,066,420	\$ 1,399,193
Transfers out	\$ (600,000)	\$ (1,087,113)	\$ (1,365,174)
Issuance Costs	\$ (9,045)	\$ (1,544)	
Other		<u>\$ (5,388,947)</u>	
Total other financing sources (uses)	<u>\$ 8,590,616</u>	<u>\$ 1,295,763</u>	<u>\$ 4,244,019</u>
Net change in fund balance	\$ 2,100,099	\$ (3,177,355)	\$ 428,410
Debt service as a percentage of non-capital expenditures	28%	12%	11%

Information prior to 2003 is not available in comparable format.

Source: City of Salina Comprehensive Annual Financial Reports, 2003 - 2006

Schedule 5
City of Salina, Kansas
Tax Revenues by Source, Governmental Funds
Last Three Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Real Estate	\$ 7,417,427	\$ 7,677,415	\$ 7,904,231
Delinquent	\$ 176,906	\$ 227,578	\$ 212,692
Motor Vehicle	\$ 1,208,225	\$ 1,056,735	\$ 1,079,262
General Sales	\$ 9,913,121	\$ 10,500,582	\$ 10,555,924
Selective Sales	\$ 2,113,593	\$ 2,264,206	\$ 2,280,387
Other Taxes	\$ 3,344,866	\$ 3,425,772	\$ 3,557,109
Total Taxes	<u>\$ 24,174,138</u>	<u>\$ 25,152,288</u>	<u>\$ 25,589,605</u>

Schedule 6
City of Salina, Kansas
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Assessed Value							Estimated Total Market Value (Note 2)	Value to Estimated Market Value
	Real Estate	Personal Property	State Assessed	Vehicle Assessed Value	Direct Rate, Excluding Motor Vehicles	Motor Vehicle (Note 1)	Total, Taxable Assessed Value		
1996	166,462,923	24,890,665	12,528,204	203,881,792	27.145	42,981,776	246,863,568	1,482,502,705	16.65
1997	175,997,879	25,550,448	12,708,970	214,257,297	26.942	43,786,794	258,044,091	1,551,794,365	16.63
1998	196,360,843	26,279,996	13,954,569	236,595,408	25.705	43,994,555	280,589,963	1,716,987,425	16.34
1999	213,488,582	27,534,811	12,909,972	253,933,365	25.270	44,924,849	298,858,214	1,850,244,169	16.15
2000	226,207,727	28,786,094	14,122,529	269,116,350	24.876	45,371,433	314,487,783	1,953,641,509	16.10
2001	241,621,655	32,439,566	14,088,875	288,150,096	24.365	43,246,020	331,396,116	2,096,802,659	15.80
2002	254,343,715	31,823,431	14,847,520	301,014,666	24.218	43,248,108	344,262,744	2,182,563,473	15.77
2003	267,175,443	35,093,154	14,866,008	317,134,605	24.092	45,965,839	363,100,444	2,296,900,695	15.81
2004	277,456,813	35,386,133	15,750,780	328,593,726	24.013	46,679,292	375,273,018	2,368,264,683	15.85
2005	282,517,284	35,410,526	17,334,372	335,262,182	24.063	48,687,121	383,949,303	2,131,484,942	18.01

Note 1: The tax rate for motor vehicles is set based on the average countywide tax rate. The City of Salina then receives a share of that based on relative tax effort.

Note 2: The estimated market value excludes the value of the State assessed properties. Market value information is not available for those properties. However, state assessed property is generally assessed at 33% of market value, except for railroads, which are assessed at 25% of market value.

Note 3: The Direct rate is expressed in dollars per thousand dollars of assessed value.

Source: Saline County Clerk

Schedule 7
City of Salina, Kansas
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal (Budget) Year	City of Salina			Saline County			USD 305 (2)			Other (1)	Total
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total USD Millage	Other	
1996	22.025	5.12	27.145	23.37	-	23.370	39.347	2.94	42.287	8.265	101.067
1997	15.812	11.130	26.942	20.940	1.985	22.925	39.368	2.944	42.312	8.340	100.519
1998	20.692	5.013	25.705	18.141		18.141	36.892	2.637	39.529	8.433	91.808
1999	21.587	3.683	25.270	19.497	0.991	20.488	35.001	1.839	36.840	9.869	92.467
2000	19.382	5.494	24.876	23.187	-	23.187	38.698	17.623	56.321	9.444	113.828
2001	19.097	5.268	24.365	22.337	-	23.837	41.198	17.326	58.524	9.109	115.835
2002	18.561	5.657	24.218	24.066	-	24.066	51.115	17.063	68.178	9.330	125.792
2003	18.581	5.511	24.092	25.667	-	25.657	38.569	18.815	57.384	9.684	116.817
2004	20.017	3.996	24.013	28.081		28.081	38.288	18.344	56.632	9.848	118.574
2005	20.055	4.008	24.063	28.874		28.874	42.175	17.491	59.666	10.984	123.587

Schedule 8
City of Salina, Kansas
Principal Property Tax Payors
Current Year and Nine Years Ago

Taxpayer	Type of Business	1996			2005		
		Assessed Valuation	% of Total Valuation	Rank	Assessed Valuation	% of Total Valuation	Rank
Western Resources	Utility	\$ 6,038,273	2.96%	2	\$ 8,036,664	2.40%	1
Schwan's Sales	Pizza Manufacturing	8,175,807	4.01%	1	7,938,775	2.37%	2
Warmack, Salina Partnership	Retail Shopping Mall	4,893,353	2.40%	4	6,064,998	1.81%	3
Southwestern Bell	Telephone Utility	5,494,302	2.69%	3	5,265,830	1.57%	4
Salina Regional Health Center	Hospital and Medical Offices				4,967,556	1.48%	5
Wal-Mart Stores, Inc.	Discount Retail Stores	2,352,756	1.15%	5	3,979,960	1.19%	6
Kansas Gas Service	Utility				3,058,959	0.91%	7
Great Plains Manufacturing	Manufacturing				2,415,729	0.72%	8
Western Wireless	Microwave Transmission Facility				2,218,381	0.66%	9
Lowe's Home Center	Building Supply Center				2,015,463	0.60%	10
Omaha Hotel, Inc.	Hotel	1,413,831	0.69%	7			
Dayton Hudson, Inc.	Discount Retail Stores	1,169,999	0.57%	8			
Sunset Plaza, Inc.	Retail Shopping Mall	1,914,868	0.94%	6			
Malan Mortgage, Inc.	Discount Retail Stores	856,448	0.42%	9			
Union Pacific Railroad		683,514	0.34%	10			
Combined Valuation of the Ten Largest Taxpayers		\$ 32,993,151			\$ 45,962,315		
City Valuation		\$ 203,881,792			\$ 335,262,182		
Percent of Total City Assessed Valuation (1)			16.18%			13.71%	

Source: Saline County Clerk's Office

Schedule 9
City of Salina, Kansas
Property Tax Levies and Distributions
Last Ten Fiscal Years

Fiscal (Budget) Year	Taxes Levied for the fiscal year	<u>Current Year Tax Distributions</u>		Delinquent Collections (1)	<u>Total Tax Distributions</u>	
		Amount	Percentage		Amount	Percentage of levy
1996	5,534,222	5,411,474	97.8%	107,250	5,518,724	99.7%
1997	5,772,414	5,689,316	98.6%	133,171	5,822,487	100.9%
1998	6,081,748	5,976,840	98.3%	114,028	6,090,868	100.1%
1999	6,416,832	6,269,480	97.7%	140,976	6,410,456	99.9%
2000	6,694,612	6,490,693	97.0%	105,801	6,596,494	98.5%
2001	7,020,875	6,831,220	97.3%	147,819	6,979,039	99.4%
2002	7,289,916	7,108,013	97.5%	174,050	7,282,063	99.9%
2003	7,640,249	7,417,427	97.1%	176,906	7,594,333	99.4%
2004	7,890,387	7,677,415	97.3%	227,578	7,904,993	100.2%
2005	8,067,300	7,904,231	98.0%	382,236	8,286,467	102.7%

Schedule 10
City of Salina, Kansas
Direct Sales tax by NAICS Class and the Ten Largest Remitters
Last Four Fiscal Years
(See note 1)

Direct Sales Tax by NAICS Classification (Note 2)		2002	2003	2004	2005
Department and General Merchandise Stores		\$ 1,550,242	\$ 1,368,973	\$ 1,386,266	\$ 1,377,075
New Car Dealers		\$ 692,701	\$ 665,270	\$ 694,795	\$ 719,814
Supermarkets and Grocery (except convenience)		\$ 434,268	\$ 388,484	\$ 398,985	\$ 408,349
Utilities		\$ 335,333	\$ 331,710	\$ 352,334	\$ 368,721
Home Centers		\$ 221,948	\$ 334,448	\$ 337,517	\$ 327,136
Limited Service Restaurant		\$ 199,320	\$ 235,497	\$ 243,180	\$ 249,484
Full Service Restaurants		\$ 194,443	\$ 210,775	\$ 233,072	\$ 245,331
Gasoline Stations with Convenience Stores		\$ 138,484	\$ 142,385	\$ 157,981	\$ 161,309
Hotels and Motels		\$ 92,376	\$ 123,136	\$ 126,057	\$ 114,985
Cellular and Wireless Communications		\$ 78,203	\$ 94,086	\$ 84,671	\$ 92,332
Total, top ten classifications		\$ 3,859,115	\$ 3,800,678	\$ 3,930,187	\$ 3,972,204
Grand Total, all classifications		\$ 6,315,356	\$ 6,167,384	\$ 6,296,782	\$ 6,409,578
Percentage received from ten largest NAICS classifications		61.1%	61.6%	62.4%	62.0%
Sales Tax from largest remitters					
Total received from 10 largest remitters		\$ 2,339,936	\$ 2,298,199	\$ 2,418,235	\$ 2,421,820
Percentage received from 10 largest remitters		37.1%	37.3%	38.4%	37.8%
City Direct Tax Rate (Note 3)					
General		0.50%	0.50%	0.50%	0.50%
Special Purpose		0.25%	0.25%	0.25%	0.25%
County-wide Tax Rate		1.00%	1.00%	1.00%	1.00%
Portion of County-wide tax allocated to City (July Percentage)		64.00%	63.20%	62.20%	61.60%

Note 1: Prior to 2002, NAICS classification information was not available on a local basis.
Note 2: Classifications are self assigned by the business.
Note 3: In addition to the direct tax, the City receives a portion of the Countywide sales tax, based on a formula distribution.
The formula is based on property tax effort and population, and is adjusted in January and July of each year. As a result, totals do not match the amounts disclosed on the Statement of Activities.

Source: Kansas Department of Revenue

Schedule 11
City of Salina, Kansas
Water Sales by Class of Customer
Last Five Fiscal Years

Rate Class	2001			2002			2003			2004			2005		
	Accts Billed	Water Sold		Accts Billed	Water Sold		Accts Billed	Water Sold		Accts Billed	Water Sold		Accts Billed	Water Sold	
Residential	17,165	1,194,411		17,234	1,300,332		17,315	1,205,142		17,432	1,127,078		17,576	1,187,130	
Commercial	1,530	358,628		1,516	367,440		1,503	352,025		1,542	346,251		1,580	358,659	
Industrial	44	255,019		44	245,126		43	205,574		43	203,977		43	181,325	
Government	111	65,912		115	78,457		118	66,134		126	66,623		146	102,994	
Apartment	200	43,739		202	52,778		200	56,587		198	56,251		195	56,359	
Schools	89	48,866		84	50,373		80	43,645		82	43,571		81	41,187	
Industrial Special	1	28,208		1	32,061		1	38,002		1	39,187		1	39,551	
Consumed in Production	173	47,702		27	45,395		25	36,185		22	32,324		21	31,570	
Rural Water	1	27,292		1	26,775		1	27,918		1	27,277		1	28,889	
Hospitals	14	28,284		14	28,846		14	24,721		14	22,884		15	17,126	
Religious/Non Profit	33	8,211		35	9,564		37	8,074		40	9,362		40	9,521	
Other Taxable Deductions	7	14,007		7	13,863		6	11,105		6	10,690		5	8,995	
Engineering Studies	8	7,636		8	10,078		8	9,307		8	9,339		8	6,283	
Providing Taxable Service	2	4,997		2	5,329		2	5,232		2	5,562		2	5,677	
Sale of Component Parts	7	6,597		7	5,570		8	5,428		8	5,265		8	5,473	
Fire Hydrant	28	1,772		4	3,011		3	5,015		3	2,887		4	5,232	
Industrial Consumed in Produ	3	2,504		3	2,370		3	1,624		3	2,206		3	2,350	
Sales of Farm Equipment	1	31		1	429		1	203		1	131		1	213	
	19,418	2,143,817		19,304	2,277,796		19,368	2,101,921		19,531	2,010,864		19,730	2,088,534	

Water Rate Schedule:

Monthly Meter Charge (5/8")	\$	2.75		\$	2.89		\$	2.89		\$	3.05		\$	3.21	
Commodity Charge (per hundred cubic ft):															
0 - 2000 cf.	\$	2.03		\$	2.09		\$	2.09		\$	2.13		\$	2.16	
2001 - 10,000 cf	\$	1.82		\$	1.87		\$	1.87		\$	1.91		\$	1.94	
Over 10,000 cf	\$	1.63		\$	1.68		\$	1.68		\$	1.71		\$	1.73	
Wastewater Rate Schedule:															
Monthly Base Charge				\$	2.75		\$	2.75		\$	2.89		\$	3.03	
Unit cost (per hundred cubic ft):				\$	1.99		\$	1.99		\$	2.11		\$	2.23	

Water sold is expressed in thousands of gallons.
Information before 2001 is not available in a consistent format.
Number of Accounts billed is the annual number of billings for each class divided by 12.
Monthly meter charge increases with the size of the meter.
Residential Wastewater is calculated based on Winter Quarter water consumption. Other accounts are based on monthly water consumption.
Wastewater fee structure in 2001 was not on a comparable basis
Source: City of Salina Water Customer Accounting Office.

Schedule 12
City of Salina, Kansas
Ratio of Outstanding Debt by Type
Last Four Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities						Percentage of Personal Income	Per Capita	
	General Obligation Bonds		Capital Lease	Temporary Notes	General Obligation Bonds		Water Revenue Bonds		Loans Payable	Temporary Notes			Total Primary Government
	\$		\$	\$	\$		\$	\$	\$	\$			\$
2002	\$	17,728,189	\$ -	\$ 4,865,000	\$ 7,187,753	\$ 6,790,000	\$ 7,574,256	-	\$ 44,145,198	3.4%	\$ 959.20		
2003		20,744,309	60,000	4,250,000	5,228,397	6,215,000	8,082,199	2,533,972	47,113,877	3.6%	1,027.23		
2004		19,257,270	41,150	6,875,000	7,400,295	5,615,000	7,777,264	-	46,965,979	3.5%	1,021.80		
2005		21,202,921	20,944	2,700,000	6,258,456	4,990,000	7,460,602	-	42,632,923	3.1%	927.69		

Source: City of Salina Comprehensive Annual Financial Reports, 2003 - 2006

Schedule 13
City of Salina, Kansas
Ratio of Net General Bonded Debt Outstanding
Last Four Fiscal Years

Fiscal Year	General Bonded Debt Outstanding						Percentage of		
	General Obligation		Less Debt		Net General		Actual Taxable	Value of Property	Per Capita
	Bonds	Capital Lease	Temporary Notes	Total	Service Fund	Bonded Debt			
2002	\$ 24,915,942	\$ -	\$ 4,865,000	\$ 29,780,942	\$ 1,000,030	\$ 28,780,912	8.4%	\$	625.36
2003	25,972,706	60,000	6,783,972	32,816,678	1,584,330	31,232,348	8.6%		680.96
2004	26,657,565	41,150	6,875,000	33,573,715	1,317,062	32,256,653	8.6%		701.78
2005	27,461,377	20,944	2,700,000	30,182,321	1,407,529	28,774,792	7.5%		626.14

Source: City of Salina Comprehensive Annual Financial Reports, 2003 - 2006

Schedule 14
City of Salina, Kansas
Direct and Overlapping Governmental Activities Debt
As of December 31, 2005

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City of Salina	Amount Applicable to the City of Salina
Direct:			
City of Salina	\$ 28,774,792	100%	\$ 28,774,792
Overlapping:			
Salina Airport Authority	8,220,000	100%	8,220,000
Saline County	885,000	75%	664,104
USD 305	78,100,000	93%	72,461,180
Total Overlapping Debt	87,205,000		81,345,284
Total Direct and Overlapping Debt	<u>115,979,792</u>		<u>110,120,076</u>
Per Capita Direct and Overlapping debt			\$ 2,396.21

Percentage of debt applicable to the City of Salina is based on the proportion that the assessed valuation of the City of Salina bears to the assessed valuation of the overlapping entity.

Source: Saline County Clerk

Schedule 15
City of Salina, Kansas
Legal Debt Margin
Last Ten Fiscal Years

Legal Debt Margin Calculation for 2005

Assessed Valuation:	\$ 383,949,303
Debt Limit (30% of Assessed Value)	115,184,791
Debt Applicable to limit:	
Total Bonded Debt	42,632,923
Less Revenue Bonds	4,990,000
Less Loans	7,460,602
Less Fund Balance designated for Debt Service	1,407,529
Total Debt Applicable to Limitation	28,774,792
Legal debt margin	86,409,999

	Fiscal Year									
	1996*	1997*	1998	1999	2000	2001	2002	2003	2004	2005
Debt Limit	\$74,059,070	\$ 60,654,557	\$84,176,989	\$89,657,464	\$94,346,335	\$99,418,835	\$ 103,278,823	\$ 108,930,133	\$ 112,581,905	\$ 115,184,791
Total net debt applicable to limit	14,496,461	21,265,710	25,516,690	25,972,538	26,899,340	24,132,488	28,780,912	31,172,348	32,485,503	28,774,792
Legal debt margin	59,562,609	39,388,847	58,660,299	63,684,926	67,446,995	75,286,347	74,497,911	77,757,785	80,096,402	86,409,999
Total net debt applicable to the limit as a percentage of debt limit	20%	35%	30%	29%	29%	24%	28%	29%	29%	25%

* 1996 and 1997 calculations are done on a different basis than subsequent years.

Schedule 16
City of Salina, Kansas
Pledged Revenue Coverage
Last Three Fiscal Years

Water/Sewer Revenue Bonds (Including Kansas Water Supply Loan)

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2003	12,129,440	10,682,725	1,446,715	791,394	477,400	114%
2004	12,361,877	10,654,249	1,707,628	904,935	542,722	118%
2005	12,703,953	10,468,771	2,235,182	941,662	542,722	151%

Source: City of Salina Comprehensive Annual Financial Reports, 2003 - 2006

Schedule 17
City of Salina, Kansas
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Per Capita Personal Income (Saline County)	Personal Income, Salina (interpolated)	Unemployment Rate	Labor Force, Saline County	USD 305 Enrollment
1996	44,167	NA	NA	3.7%	29,281	7,316
1997	44,510	26,500	\$ 1,179,515,000	3.6%	28,875	7,307
1998	44,176	27,800	\$ 1,228,092,800	3.5%	29,262	7,257
1999	44,022	28,800	\$ 1,267,833,600	3.6%	30,310	7,347
2000	45,765	28,500	\$ 1,304,302,500	2.8%	30,740	7,418
2001	45,918	29,800	\$ 1,368,356,400	3.5%	29,821	7,315
2002	46,023	28,500	\$ 1,311,655,500	3.6%	30,569	7,273
2003	45,865	28,200	\$ 1,293,393,000	4.0%	30,804	7,188
2004	45,964	29,600	\$ 1,360,534,400	4.8%	30,800	7,107
2005	45,956	30,000	\$ 1,378,680,000	4.4%	31,293	7,050

Sources:

Population: Kansas Division of the Budget.

Saline County Per capita personal income: Kansas Division of the budget. Personal income statistics are not available for the City of Salina. 2005 per capita income is a staff projection.

Personal income for Salina is derived from the population and per capita personal income for Saline County

Schedule 18
City of Salina, Kansas
Principal Employers
Current Year and Nine Years Ago

		1996			2005		
Employer	Type of Business	Employees	Rank	Percentage of Labor Force	Employees	Rank	Percentage of Labor Force
Tony's Pizza Service (Schwans)	Frozen Pizza Manufacturing	2,003	1	6.8%	2,000	1	6.4%
Salina Regional Health Center	Health Care	1,300	2	4.4%	1,082	2	3.5%
USD # 305	Public School System	1,218	3	4.2%	935	3	3.0%
Exide Battery's	Automotive Battery Manufac	754	5	2.6%	800	4	2.6%
Great Plains Manufacturing	Agrcultural and Landscaping	810	4	2.8%	650	5	2.1%
Phillips Lighting Co.	Fluorescent Lamps	575	6	2.0%	600	6	1.9%
Lock/Line	Cellular Phone nsurance		#N/A	0.0%	490	7	1.6%
City of Salina	City Government	554	7	1.9%	482	8	1.5%
Raytheon Aircraft	Aircraft Manufacturing	493	8	1.7%	274	9	0.9%
Western Auto	Wholesale Supplier	280	9	1.0%			
Total		7,987		27.3%	7,313		23.4%

Source: Salina Chamber of Commerce

Schedule 19
City of Salina, Kansas
City Government Employees by Function/Program
Last Four Fiscal Years
(excludes temporary/seasonal employees)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental Activities:				
General government	19	19	19	18
Public safety	208	208	210	210
Public works	76	78	79	80
Public health and sanitation	3	3	2	2
Culture and recreation	45	48	48	48
Planning and development	23	23	24	26
Other (Internal Services)	<u>14</u>	<u>14</u>	<u>12</u>	<u>13</u>
Total governmental activities	<u>388</u>	<u>393</u>	<u>394</u>	<u>397</u>
Business-type Activities:				
Solid waste disposal	12	12	12	12
Water and sewer	73	73	73	73
Sanitation	19	20	20	21
Golf course	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
Total business-type activities	<u>110</u>	<u>111</u>	<u>111</u>	<u>112</u>
Total primary government	<u>498</u>	<u>504</u>	<u>505</u>	<u>509</u>

Source: Salina Human Resources Department

Schedule 20
City of Salina, Kansas
Operating Indicators by Function/Program
Last Fiscal Year
(information is not available for prior years)

	<u>Fiscal Year</u> <u>2005</u>
Governmental Activities:	
<u>General government</u>	
EMS runs billed	2,499
Job positions filled / # of applicants	67 / 2,022
<u>Public safety</u>	
Police Calls for service	34,938
Cases filed	12,611
<u>Public works</u>	
Loads of yard waste accepted	3,000
Utility Street cuts	285
<u>Public health and sanitation</u>	
Interments	99
<u>Culture and recreation</u>	
Bicentennial Center events	
Convention and Trade Shows	22
Entertainment and Sports	37
Other	396
Bicentennial Center event attendance	254,408
River Festival Buttons sold	21,007
Arts Infusion student participation	17,702
Horizons Grants awarded	12 / \$54,652
Museum Gallery attendance	3,455
Shelter reservations	1,480
Athletic field facility permits	1,275
Recreation program registrations	9,700
Tournaments/teams	24 / 362
<u>Planning and community development</u>	
Building inspections performed	4,800
Building/stand alone permit applications	2,601
Human Relations rapid response cases	611
Formal Human Relations complaints processed	23
Business-type Activities:	
<u>Solid waste disposal</u>	
Landfill tonnage accepted	88,096
Recycled waste diversion (tons)	34
<u>Water and sewer</u>	
Meters read	240,599
Accounts Billed	236,759
Account initiates/terminates	5,679 / 5,597
Collection notices served	8,206
Wastewater stoppages	272
New meter installations	400
Average daily consumption (Thousand Gallons)	11,355
Peak daily consumption (Thousand Gallons)	6,592
<u>Sanitation</u>	
Special Pickups	2,301
Sanitation customers served	172,109
<u>Golf course</u>	
Rounds played	44,775

Source: City of Salina Departmental Annual Reports

Schedule 21
City of Salina, Kansas
Capital Asset Statistics by Function/Program
Most Recent Fiscal Year
(Includes capitalized assets only)

	<u>2005</u>
Governmental Activities:	
<u>Public safety</u>	
Buildings	11
Motor Vehicles	67
<u>Public works</u>	
Buildings	69
Construction Equipment	41
Motor Vehicles	47
Levee mileage	21
Bridges	24
Signalized Locations	79
Flood control structures	24
Streets (centerline miles)	282
<u>Public health and sanitation</u>	
Buildings	3
Construction Equipment	2
Motor Vehicles	4
<u>Culture and recreation</u>	
Buildings	6
Construction Equipment	19
Motor Vehicles	35
Swimming Pool	1
Parks (number/acreage)	26/690
Neighborhood Spraygrounds	3
<u>Planning and development</u>	
Buildings	1
Motor Vehicles	2
<u>Other</u>	
Buildings	1
Motor Vehicles	4
Business-type Activities:	
<u>Solid waste disposal</u>	
Buildings	10
Construction Equipment	12
Motor Vehicles	6
<u>Water and sewer</u>	
Buildings	116
Construction Equipment	10
Motor Vehicles	41
Water lines (miles)	315
Sewer lines (miles)	215
<u>Sanitation</u>	
Buildings	1
Motor Vehicles	15
<u>Golf course</u>	
Buildings	6
Construction Equipment	14
Motor Vehicles	2
Greens (including practice)	26

Sources:

City of Salina Fixed Assets System
City of Salina Departmental Records

Information prior to 2005 is not available in comparable format.

GOVERNMENTAL AUDIT SECTION

CITY OF SALINA, KANSAS

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
<u>Department of Housing and Urban Development</u>		
HOME Investment Partnerships Program	14.239	\$ 250,000
Fair Housing Assistance Program	14.401	123,744
Passed Through Kansas Housing Resources Corporation:		
Emergency Shelter Grants Program	14.231	<u>39,253</u>
Total Department of Housing and Urban Development		<u>412,997</u>
<u>Department of Homeland Security</u>		
Assistance to Firefighters Grant	97.044	240,984
Passed Through the Kansas Highway Patrol:		
State Domestic Preparedness Equipment Support Program	97.004	3,429
Passed Through the Kansas Adjutant General:		
Public Assistance Grants	97.036	19,895
Passed Through Saline County:		
State Homeland Security Grant	97.067	<u>280,644</u>
Total Department of Homeland Security		<u>544,952</u>
<u>Department of Transportation</u>		
Passed Through the Kansas Department of Transportation:		
State and Community Highway Safety	20.600	<u>14,799</u>
<u>Institute of Museum and Library Services</u>		
Museum for America Grants	45.301	<u>65,000</u>
Total Expenditures of Federal Awards		<u>\$ 1,037,748</u>

The accompanying notes are an integral part of this schedule.

CITY OF SALINA, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2005

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of the City of Salina, Kansas. All expenditures of federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF SALINA, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

97.044

Assistance to Firefighters Grant

97.067

State Homeland Security Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

CITY OF SALINA, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended December 31, 2005

Section II - Financial Statement Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

None Noted

LOWENTHAL SINGLETON WEBB & WILSON
P R O F E S S I O N A L A S S O C I A T I O N

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"**

Mayor and City Commissioners
City of Salina, Kansas

We have audited the basic financial statements of the City of Salina, Kansas as of and for the year ended December 31, 2005, and have issued our report thereon dated May 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards".

However, we noted matters involving the internal control over financial reporting that we have reported to the City's management in a separate letter dated May 12, 2006.

This report is intended solely for the information and use of the mayor, city commission and management and is not intended to be and should not be used by anyone other than those specified parties.

Lowenthal, Singleton, Webb & Wilson

Professional Association

May 12, 2006

LOWENTHAL SINGLETON WEBB & WILSON
P R O F E S S I O N A L A S S O C I A T I O N

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mayor and City Commissioners
City of Salina, Kansas

Compliance

We have audited the compliance of the City of Salina, Kansas with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2005. The City's major federal programs are identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City of Salina, Kansas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the mayor, city commission, management and federal awarding agencies and should not be used by anyone other than those specified parties.

Howenthal, Singleton, Webb & Wilson

Professional Association

May 12, 2006